

United States
Securities and Exchange Commission
Washington, DC 20549

FORM 10-KSB

Annual Report under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the Fiscal Year Ended Commission File Number
March 31, 2005 000-28638

BMB MUNAI, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

30-0233726

(I.R.S. Employer Identification No.)

20A Kazibek Bi Street, Almaty, Kazakhstan 480100

(Address of principal executive offices)

+7 (3272) 58-85-17/47

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act: Common Stock \$0.001
Par Value.

Check whether the issuer (1) filed all reports required to be filed by Section
13 or 15(d) of the Exchange Act during the past 12 months (or such shorter
period that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.

Yes No

Check if there is no disclosure of delinquent filers in response to item 405 of
Regulation S-B is not contained in this form, and no disclosure will be
contained, to the best of the registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-KSB
or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is an accelerated filer.

YES NO

The registrant's revenues for its most recent fiscal year: \$973,646

The aggregate market value of the voting stock held by non-affiliates based on
the average bid and ask prices of such stock on June 2, 2005 was approximately
\$67,590,415.

As of June 2, 2005, the registrant had 31,958,846 shares of its \$.001 par value
common stock outstanding.

Transitional small business disclosure format (check one) Yes No

DOCUMENTS INCORPORATED BY REFERENCE: None

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BMB MUNAI, INC.

Unless otherwise indicated by the context, references herein to the "Company", "BMB", "we", "our" or "us" means BMB Munai, Inc, a Nevada corporation, and its corporate subsidiaries and predecessors.

Forward Looking Information

Certain of the statements contained in all parts of this document including, but not limited to, those relating to our drilling plans, future expenses, changes in wells operated and reserves, future growth and expansion, future exploration, future seismic data, expansion of operations, our ability to generate new prospects, our ability to obtain a production license, review of outside generated prospects and acquisitions, additional reserves and reserve increases, managing our asset base, expansion and improvement of capabilities, integration of new technology into operations, credit facilities, new prospects and drilling locations, future capital expenditures and working capital, sufficiency of future working capital, borrowings and capital resources and liquidity, projected cash flows from operations, future commodity price environment, expectations of timing, the outcome of legal proceedings, satisfaction of contingencies, the impact of any change in accounting policies on our financial statements, the number, timing or results of any wells, the plans for timing, interpretation and results of new or existing seismic surveys or seismic data, future production or reserves, future acquisitions of leases, lease options or other land rights, management's assessment of internal control over financial reporting, financial results, opportunities, growth, business plans and strategy and other statements that are not historical facts contained in this report are forward-looking statements. When used in this document, words like "expect," "project," "estimate," "believe," "anticipate," "intend," "budget," "plan," "forecast," "predict," "may," "should," "could," "will" and similar expressions are also intended to identify forward-looking statements. Such statements involve risks and uncertainties, including, but not limited to, market factors, market prices (including regional basis differentials) of natural gas and oil, results for future drilling and marketing activity, future production and costs and other factors detailed herein and in our other Securities and Exchange Commission filings. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. These forward-looking statements speak only as of their dates and should not be unduly relied upon. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

PART I

Items 1 and 2. Business and Properties

Overview

BMB Munai, Inc., is an independent oil and natural gas company engaged in the exploration, development, acquisition and production of crude oil and natural gas properties in the Republic of Kazakhstan (sometimes also referred to

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herein as the "ROK" or "Kazakhstan"). During the fiscal year ended March 31, 2005, we changed our domicile from the State of Delaware to the State of Nevada. We are currently in the development stage. Our current drilling strategy is focused toward enhancing cash flows and increasing proved developed reserves by drilling developmental wells within a proximity of existing wells, which we believe decreases our likelihood of drilling a dry hole, while at the same time increasing our current production and cash flow. As our cash flow and proved developed reserves grow, we will begin drilling exploratory wells to find new reservoirs or extend known reservoirs. We believe this strategy will result in growth of proved developed reserves, production and financial strength.

Recent Developments

At year end 2005, our net proved reserves were 40.9 million barrels of oil equivalent ("BOE"), comprised of 34 million barrels of oil and 42 billion cubic feet of natural gas. Reserves quoted in BOE were calculated using a conversion of 6 Mscf/bbl. Crude oil accounted for approximately 83% of those proved reserves. Approximately 40% of proved total reserves were developed as of year-end 2005 and they were all located onshore in western Kazakhstan. We began workover activities in December 2003 and drilling activities in July 2004. Through the fiscal year ended March 31, 2005, we have re-entered three previously existing wells and drilled two new wells. Of these five wells, one well is currently in test production, three wells are undergoing testing and one well is undergoing additional workover. In December 2004, the government of Kazakhstan granted an extension of our ADE Block, which added an additional 64,247 acres (approximately 260 square kilometers) to the ADE Block. The additional territory is adjacent to the ADE Block. In April 2005, we contracted with TatArka, LLP for a 3D seismic survey of the extended territory. We believe with the completion of a 3D seismic study and data processing and interpretation of the results of this study, we will have sufficient information to evaluate the oil and gas reserves of the extended territory, and prepare an efficient work program for further exploration and development of the extended territory.

Strategy

Our goal is to increase stockholder value by investing in oil and natural gas projects with attractive rates of return on capital employed. We plan to achieve this goal by exploiting and developing our existing oil and gas properties and pursuing the acquisition of additional properties. We have and will continue to focus on the following:

Increasing our Production and Cash Flow. To sustain our operations we need capital. To date, most of our operating capital has come from the sale of our securities. We believe that to increase shareholder value and economic stability, we need to increase our revenues by increasing our production. For this reason, we have focused our efforts on drilling developmental wells strategically located within proved areas with the intent to drill wells with a

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high probability of success. We believe this strategy will allow us to increase our current production and correspondingly our cash flows.

Developing and Exploiting Existing Properties. We believe that there is significant value to be created by drilling the identified undeveloped opportunities on our properties. We own interest in 640 gross (640 net) developed acres, plus 960 gross (960 net) acres of proved undeveloped reserves. We also own interest in approximately 49,150 gross (49,150 net) unproved, undeveloped acres. Our expected capital budget for development of existing properties in fiscal 2006 is between \$10 million and \$14 million.

Pursuing Profitable Acquisitions. While our emphasis in fiscal 2006 is anticipated to focus on the further development of our existing properties, we will continue to look for properties with both existing cash flow from production and future development potential. We intend to pursue acquisitions of properties that we believe have exploitation and development potential comparable to or greater than our existing properties. We have an experienced team of management professionals who will identify and evaluate acquisition opportunities.

Oil and Natural Gas Reserves

The following table sets forth our estimated net proved oil and natural gas reserves and the present value of estimated cash flows related to such reserves as of March 31, 2005. We engaged Chapman Petroleum Engineering, Ltd. ("Chapman"), to estimate our net proved reserves, projected future production, estimated net revenue attributable to our proved reserves, and the present value of such estimated future net revenue as of March 31, 2005. Chapman's estimates are based upon a review of production histories and other geologic, economic, ownership and engineering data provided by us. Chapman has independently evaluated our reserves for the past nine months. In estimating the reserve quantities that are economically recoverable, Chapman used oil and natural gas prices in effect during March 2005 without giving effect to hedging activities. In accordance with requirements of the Securities and Exchange Commission (the "SEC") regulations, no price of cost escalation or reduction was considered by Chapman. The present value of estimated future net revenues before income taxes was prepared using constant prices as of the calculation date, discounted 10% per annum on a pretax basis, and is not intended to represent the current market value of the estimated oil and natural gas reserved owned by us. The oil and natural gas reserve data included in or incorporated by reference in this document are only estimates and may prove to be inaccurate.

<TABLE>

<CAPTION>

	Proved Reserves		
	Developed(1)	Undeveloped(2)	Total
<S>	<C>	<C>	<C>
Oil and condensate (MBbls)(3)	13,614	20,344	33,958
Natural gas (MMcf)	15,917	25,817	41,734
Total BOE (MBbls)	16,267	24,647	40,914
Estimated future net revenue before income taxes (M\$)	\$ 183,285	\$ 263,603	\$ 446,888
Present value of estimated future net revenue before income taxes (discounted 10% per annum)(M\$)(4)	\$ 61,881	\$ 24,107	\$ 85,988

</TABLE>

- (1) Proved developed reserves are proved reserves that are expected to be recovered from existing wells with existing equipment and operating methods.
- (2) Proved undeveloped reserves are proved reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.
- (3) Includes natural gas liquids.
- (4) Estimated future net reserves represents estimated future gross revenue to be generated from the production of proved reserves, net of estimated future production and development costs, using the average oil and gas prices we had been receiving in the Kazakhstan domestic market, as of March 31, 2005, which were \$0.50 per MMBtu of natural gas and \$21.27 per Bbl of oil.

The reserve data set forth herein represents estimates only. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates made by different engineers often vary from one another. In addition, results of drilling, testing and production subsequent to the date of an estimate may

justify revision of such estimates, and such revisions may be material. Accordingly, reserve estimates are generally different from the quantities of oil and natural gas that are ultimately recovered. Furthermore, the estimated future net revenue from proved reserves and the present value thereof are based upon certain assumptions, including current prices, production levels and costs that may not be what is actually incurred or realized.

No estimates of proved reserves comparable to those included herein have been included in reports to any federal agency other than the SEC.

In accordance with SEC regulations, the Chapman Report used oil and natural gas prices in effect at March 31, 2005. The prices used in calculating the estimated future net revenue attributable to proved reserves do not necessarily reflect market prices for oil and natural gas production subsequent to March 31, 2005. There can be no assurance that all of the proved reserves will be produced and sold within the periods indicated, that the assumed prices will actually be realized for such production or that existing contracts will be honored or judicially enforced.

Cost Information

Capitalized Costs

Capitalized costs and accumulated depletion, depreciation and amortization relating to our oil and natural gas producing activities, all of which are conducted in the Republic of Kazakhstan, are summarized below:

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<TABLE>
<CAPTION>

	For the year ended March 31, 2005	For the period from inception (May 6, 2003 to March 31, 2004
<S>	<C>	<C>
Developed oil and natural gas properties	\$ 43,031,811	\$ 6,495,186
Unevaluated oil and natural gas properties	-	-
Accumulated depletion, depreciation and amortization	(67,452)	-
Net capitalized cost	<u>\$ 42,964,359</u>	<u>\$ 6,495,186</u>

Exploration, Development and Acquisition Capital Expenditures

The following table sets forth certain information regarding the total costs incurred associated with exploration, development and acquisition activities.

<CAPTION>

	For the Year Ended March 31, 2005	For the Period from Inception (May 6, 2003) to March 31, 2004
<S>	<C>	<C>
Acquisition costs:		
Unproved properties	\$ -	\$ -
Proved properties	20,788,119	1,713,119
Exploration costs	3,373,092	2,659,872
Development costs	18,870,600	2,122,195
Subtotal	<u>43,031,811</u>	<u>6,495,186</u>
Asset retirement costs	-	-
Total costs incurred	<u>\$ 43,031,811</u>	<u>\$ 6,495,186</u>

</TABLE>

Oil and Natural Gas Volumes, Prices and Operating Expense

The following table sets forth certain information regarding production volumes, average sales prices and average operating expense associated with our sale of oil and natural gas for the periods indicated.

<TABLE>
<CAPTION>

For the Period from
For the Year Ended Inception (May 6, 2003)

	March 31, 2005	to March 31, 2004
<S>	<C>	<C>
Production:		
Oil and condensate (Bbls)	68,755	-
Natural gas liquids (Bbls)	-	-
Natural gas (Mcf)	-	-
Barrels of oil equivalent (BOE)	-	-
Average Sales Price(1):		
Oil and condensate (\$ per Bbl)	\$ 15.17	\$ -
Natural gas liquids (\$ per Bbl)	\$ -	\$ -
Natural gas (\$ per Mcf)	\$ -	\$ -
Barrels of oil equivalent (\$ per BOE)	\$ -	\$ -
Average oil and natural gas operating expenses including production and ad valorem taxes (\$ per BOE)(2)	\$ 3.08	\$ -

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(1) During the period from inception through the year ended March 31, 2005, the Company has not engaged in any hedging activities, including derivatives.

(2) Includes direct lifting costs (labor, repairs and maintenance, materials and supplies), expensed workover costs and the administrative costs of field production personnel, insurance and production and ad valorem taxes.

Drilling Activity

The following table sets forth our drilling activity for the period from inception (May 6, 2003) through March 31, 2004 and for the fiscal year ended March 31, 2005. In the table, "Gross" refers to the total wells in which we have a working interest or back-in working interest after payout and "Net" refers to gross wells multiplied by our working interest therein.

<TABLE>

<CAPTION>

	For the Year Ended March 31, 2005		For the Period from Inception (May 26, 2003) to March 31, 2004	
	Gross	Net	Gross	Net
<S>	<C>	<C>	<C>	<C>
Exploratory:				
Productive	-	-	-	-
Non-productive	-	-	-	-
Total	-	-	-	-
Development:				
Productive	5	5	-	-
Non-productive	-	-	-	-
Total	-	-	-	-
Grand Total	5	5	-	-

Productive Wells

The following table sets forth the number of productive oil and natural gas wells in which we owned an interest as of March 31, 2005.

<CAPTION>

	Company-operated		Non-operated		Total	
	Gross	Net	Gross	Net	Gross	Net
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Oil	5	5	-	-	5	5
Natural Gas	-	-	-	-	-	-
Total	5	5	-	-	5	5

</TABLE>

Our Properties

We currently own a 100% interest in a license to use subsurface mineral resources and a hydrocarbon exploration contract issued by the ROK in 1999 and 2000, respectively (collectively referred to herein as the "license" or the "contract"). The original contract granted its holder the right to engage in exploration and development activities in an area of approximately 50,000 acres referred to as the ADE Block. The ADE Block is located onshore in Kazakhstan in the Mangistau Oblast, approximately 50 kilometers from the Kazakhstan city of Aktau, a seaport on the Caspian Sea. The ADE Block is comprised of three fields, the Aksaz, Dolinnoe and Emir fields. When initially granted, the exploration and

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development stage of the contract had a five year term. This time for exploration and development has since been extended to June 9, 2007. If we desire to move from the exploration and development stage to the commercial production stage, we must make application to the ROK before June 9, 2007.

During the fiscal year ended March 31, 2005, the territory covered under the contract was expanded to include an additional 64,247 acres of land adjacent to the ADE Block, (this land is sometimes referred to herein as the "extended territory" or collectively included with the ADE Block as the "ADE Block" or "our properties.") The extended territory is governed under the terms of the original contract.

Under the terms of our contract, we currently have the right to engage in exploration and development activities within the ADE Block, as extended, until June 9, 2007. We also have the right to gather and sell all oil and natural gas we produce until June 9, 2007, with the revenue from such sales belonging to BMB. During the fiscal year ended March 31, 2005, all sales were made to the Kazakhstan domestic market. The average price per barrel in the Kazakhstan domestic market is approximately \$25-\$30 per barrel lower than the average world market price. With the completion of additional storage capacity, we are now capable of exporting oil for sale in the world markets. We will apply for permission from the government to begin exporting our production for sale in the world markets. We anticipate realizing greater revenue per barrel in the international world markets.

To maintain our contract during the exploration and development stage we are required to meet minimum annual capital expenditures in the exploration and development of the ADE Block and the extended territory. The following table shows the minimum capital expenditures we are required to make during the 2005 and 2006 calendar years and for the period from January 1, 2007 through June 9, 2007.

Year	Minimum Capital Expenditure
2005	\$9,300,000
2006	\$6,000,000
2007	\$4,500,000

Under the terms of the contract, if we wish to move to commercial production, we must apply to the ROK for commercial production rights. Under our contract, we must apply for commercial production rights prior to the expiration of the contract. The terms of our commercial production rights will be negotiated at the time we move to commercial production. During exploration and development stage, we have the right to produce and sell oil and natural gas at a royalty rate of 2%. When we move to commercial production, royalty rates are negotiated and vary depending on the reserve and production rates. Royalty rates are established by the taxing authorities of the ROK. The royalty rate is based on production rates and the rate increases on a sliding scale. Current royalty rates range from 2% to 6%. Commercial production rights may also require up to

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20% of the oil sold to the Kazakhstan domestic market at considerably lower prices than received in the world export markets, as discussed above.

Under our contract, we have the exclusive right to negotiate for and receive commercial production rights. The government is required to negotiate the terms of these rights in good faith in accordance with the Law of Petroleum

of Kazakhstan. So long as we establish commercially producible reserves and have fulfilled our obligations during exploration and development, the government is required to grant us production rights. We have not yet applied for commercial production rights because we enjoy certain economic advantages during exploration and development as discussed herein.

During fiscal 2005 we re-entered one well in the Aksaz field, re-entered one well and drilled two new wells in the Dolinnoe field and re-entered one well in the Emir field. Each of these wells was successfully completed and is either in testing, test production or additional workover. These wells accounted for 100% of our total production during the year. In fiscal 2006 we expect to drill one additional well in the ADE block. This well is planned in the Aksaz field. Because we were not granted the extended territory until December 2004, we did not engage in any exploration or development activities in the extended territory during the fiscal year ended March 31, 2005.

Title to Properties

We believe we have satisfactory title to all of our properties in accordance with standards generally accepted in the oil and natural gas industry. Our properties are subject to customary royalty interests, liens for current taxes and other burdens, which we believe do not materially interfere with the use of affect the value of such properties. As is customary in the industry in the case of undeveloped properties, little investigation of record title is made at the time of acquisition (other than a preliminary review of local records). Detailed investigations are made before commencement of drilling operations.

Marketing

Currently we are selling all oil and natural gas produced to local refineries at the domestic market price. Delivery is made by railcars filled at the pouring station terminal located at the oil storage facility we lease.

We anticipate that once we begin commercial production we will market our production to third parties consistent with industry practices.

In the domestic market, the price per barrel is lower than in world markets. When we are able to access the world markets, our marketing objective will be to receive the highest possible price for our product.

There are a variety of factors which affect the market for oil and natural gas, including the extent of domestic production and imports of oil and natural gas, the availability, proximity and capacity of natural gas pipelines and other transportation facilities, demand for oil and natural gas, the

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marketing of competitive fuels and the effects of state and federal regulations on oil and natural gas productions and sales.

Sales to Major Customers

We sold production representing 10% or more of our total revenues for the fiscal year ended March 31, 2005 as listed below.

	Volume (Bbls)	Amount (\$)	% of Sales
	-----	-----	-----
Atyrau Refinery	43,959	\$564,788	69%
LLC Shugla	20,210	\$408,858	31%

We produced no crude oil or natural gas during the period from inception (May 6, 2003) through March 31, 2004.

In the exploration, development and production business, production is normally sold to relatively few customers. Substantially all of our customers are concentrated in the oil and gas industry, and revenue can be materially affected by current economic conditions and the price of certain commodities such as natural gas and crude oil the cost of which is passed through to the customer. However, based on the current demand for natural gas and crude oil and the fact that alternate purchasers are readily available, we believe that the loss of any of our major purchasers would not have a long-term material adverse

effect on our operations.

Competition

Hydrocarbons exploration is highly competitive. Competition in Kazakhstan and Central Asia includes other junior hydrocarbons exploration companies, mid-size producers and major exploration and production companies. We will have to compete for additional exploration and production properties with these companies who in most cases may have greater financial resources and larger technical staff than us.

We believe we have an advantage because we have a proven track record with major former Soviet Union oil and gas and banking industry players forming our board of directors and executive management team. We have several prominent figures in the oil and gas industry and banking. In addition our staff has vast domestic and international experience and has been working in Kazakhstan and Russia for up to 30 years, and has developed relationships with the government and its departments and ministries at many levels. We also employ experienced national and foreign specialists at senior levels in our operating subsidiary.

There is significant competition for capital with other exploration and production companies and industry sectors. At times, other industry sectors may be more in favor with investors limiting our ability to obtain necessary capital.

Government Regulation

Our operations are subject to various levels of government controls and regulations in the United States and in Kazakhstan. We attempt to comply with all legal requirements in the conduct of our operations and employ business practices which we consider to be prudent under the circumstances in which we operate. It is not possible for us to separately calculate the costs of compliance with environmental and other governmental regulations as such costs are an integral part of our operations.

In Kazakhstan, legislation affecting the oil and gas industry is under constant review for amendment or expansion. Pursuant to such legislation, various governmental departments and agencies have issued extensive rules and regulations which affect the oil and gas industry, some of which carry substantial penalties for failure to comply. These laws and regulations can have a significant impact on the industry by increasing the cost of doing business and, consequentially, can adversely affect our profitability. Inasmuch as new legislation affecting the industry is commonplace and existing laws and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws and regulations.

Risk Factors Relating to our Business

Limited Capital Resources and Liquidity

We are a development stage company and have not yet generated significant production or revenues from the development of our primary properties in Kazakhstan.

While we have raised capital to fund acquisitions, undertake our first year work program, including 3D seismic, processing and interpretation of the data obtained during 3D seismic, re-entering old wells in the Aksaz, Dolinnoe and Emir fields, well work over, construction of the ground facilities for pre-sale oil processing, drilling of several new wells, start-up expenses, etc., we still lack sufficient capital to complete exploration and development of our properties. Thus we are using more cash in operations than we are generating. Furthermore, we anticipate that the development of our properties will require substantial additional funding before we can achieve significant production and revenues from operations.

Inability to Obtain Additional Funding

To satisfy future capital investment commitments and liquidity needs with respect to our ongoing operations, we may require additional equity or debt financing. Our ability to arrange financing and the cost of financing depends upon many factors, including:

- [X] economic and capital market conditions;
- [X] investor confidence in the oil and gas industry, in Kazakhstan and in the Company;

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- [X] credit availability from banks and other lenders; and
- [X] provisions of taxes and securities laws that are conducive to raising capital.

The terms and conditions on which future funding or financing may be made available may not be acceptable or available at all. If we issue capital stock or convertible securities to raise funds, your ownership could be diluted or new investors might obtain terms more favorable than yours. If we decide to raise additional funds by incurring debt, we may become more leveraged and subject to more restrictive financial covenants and ratios. Our inability to procure sufficient financing could adversely affect our ability to implement our business strategy.

Failures to Satisfy our Commitments During Exploration and Development Stage

We have committed to the government of Kazakhstan to make various capital investments and to develop the ADE Block in accordance with specific requirements during exploration and development. Additionally, to undertake commercial production, we will need to apply for and be granted commercial production rights. The requirements of our current license may be inconsistent with the terms of any new licenses we are issued. Additionally, we may not be able to satisfy all commitments in the future. If we fail to satisfy these commitments our contract may be cancelled. The cancellation of our contract could have a material adverse effect on our business, results of operations and financial condition. Although we would seek waivers of any breaches or to renegotiate the terms of our commitments, we cannot assure you that we would be successful in doing so.

Inadequate Infrastructure

Our exploration and development activities could suffer due to inadequate infrastructure in the region. We are working to improve the infrastructure on our properties. Any problem or adverse change affecting our operational infrastructure, or infrastructure provided by third parties, could have a material adverse effect on our financial condition and results of operations. Similarly, if we are unsuccessful in developing the infrastructure on our properties it could have a material adverse effect on our financial conditions and results of operations.

Reliance on Third Parties for Transportation Systems

The crude oil we produce must be transported through pipelines or by rail. These pipelines and railways are operated by state-owned entities or other third parties, and there can be no assurance that these transportation systems will always be functioning and available, or that the transportation costs will remain at acceptable levels. In addition, any increase in the cost of pipeline transportation or reduction in its availability to us could have a material adverse effect on our results of operations. There can be no assurance that we will be able to procure sufficient transportation capacity on economical terms, if at all.

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Liquidity of our Common Shares

Our stock has limited trading volume on the Over-the-Counter Bulletin Board and is not listed on a national exchange. Moreover, a significant percentage of our outstanding common stock is "restricted" and therefore subject to the resale restrictions set forth in Rule 144 of the rules and regulations promulgated by the Securities and Exchange Commission under the Securities Act of 1933. These factors could adversely affect the liquidity, trading volume, price and transferability of our common shares.

Control by our Officers and Directors

In the aggregate, our executive officers and directors control approximately 40% of the outstanding shares of our common stock. Such concentrated control may adversely affect the price of our common stock. Our officers and directors may be able to exert significant influence, or even control, over matters requiring approval by our security holders, including the election of directors. Such concentrated control may also make it difficult for our shareholders to receive a premium for their shares of our common stock in the event we merge with a third party or enter into a different transaction which requires shareholder approval.

Key Personnel

Our success is dependent on the performance of our senior management and key technical personnel each of whom have extensive experience in either the oil and gas or finance industries. The loss of our executive officers, directors or other key employees could have an adverse effect on our business. We do not have employment agreements in place with our senior management or key employees. We do not currently carry key man insurance for any of our senior management or key employees, nor do we anticipate obtaining key man insurance in the foreseeable future.

Risk Factors Relating to our Industry

Exploration and Development Risks

Our success is dependent on finding, developing and producing economic quantities of oil and gas. We make use of the best information available to us and employ current technologies and consultants to attempt to mitigate risks. However, despite these efforts, we may be unsuccessful in finding economically recoverable reserves. We are also subject to operating risks normally associated with the exploration, development and production of oil and gas. These risks include high pressure or irregularities in geological formations, blowouts, fires, shortages or delays in obtaining equipment and qualified personnel, equipment failure or accidents, and adverse weather conditions, such as winter snowstorms. These risks can result in catastrophic events, or they may result in higher costs and operating delays. We do not currently maintain insurance coverage to compensate for these risks as such coverage is either not available or is not considered to be cost-effective.

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Oil and Gas Reserve Risks

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and projecting future rates of production and timing of development expenditures. Changes in prices and cost levels, as well as the timing of future development costs, may cause actual results to vary significantly from the projected ones. The economic success of our properties is dependent on proving existing reserves and rates of production from existing and new wells to generate positive cash flow and provide an economic rate of return on our investments in the fields.

Hydrocarbons Exploration, Development and Production Industry

Hydrocarbons exploration and development is a speculative business characterized by a number of significant uncertainties. The marketability of hydrocarbons acquired or discovered by us may be affected by numerous factors that are beyond our control and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of exploration and production facilities, hydrocarbons markets and processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of hydrocarbons, and environmental protection, a combination of which factors may result in us not receiving an adequate return on invested capital.

Hydrocarbons Price Fluctuations

Our future success is dependent on being able to transport and market our production either within Kazakhstan or preferably through export to international markets. The market price of hydrocarbons is volatile and beyond our control and may adversely affect the feasibility or future profitability of potential projects. The decision to put a field into production and the commitment of the funds necessary for that purpose must be made long before the

first revenues from production will be received. Hydrocarbons price fluctuations as well as forecast production costs between the time that such decision is made and the commencement of production can completely change the economics of any field.

Although it is possible to protect against hydrocarbons price fluctuations by hedging in certain circumstances, the volatility of hydrocarbons prices represents a substantial risk in the exploration and production industry generally, which no amount of planning or technical expertise can eliminate.

If we are successful in establishing meaningful quantities of oil and gas production, the prices we receive for our oil production will have a significant impact on our future financial position and results.

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Risks of Doing Business in Kazakhstan

We believe that the present policies of the government of the ROK are favorable to foreign investment and to exploration and production and are not aware of any impending changes. While there is a certain amount of bureaucratic "red tape" we have significant experience working in Kazakhstan, and good relationships with government agencies at many levels.

We, however, remain subject to all the risks inherent in international operations, including adverse governmental actions, political risks, and expropriation of assets, loss of revenues and the risk of civil unrest or war. Our primary oil and gas property is located in Kazakhstan, which until 1990 was part of the Soviet Union. Kazakhstan retains many of the laws and customs from the former Soviet Union, but has developed and is continuing to develop its own legal, regulatory and financial systems. As the political and regulatory environment changes, we may face uncertainty about the interpretation of our agreements and in the event of dispute, may have limited recourse within the legal and political system.

If we are successful in establishing commercial production from our properties, an application will be made for an exploration and production contract. We have the exclusive right to negotiate this contract for the ADE Block and extended territory, and the government is required to conduct these negotiations under the Law of Petroleum. Such contracts are customarily awarded upon determination that the field is capable of commercial rates of production and that the applicant has complied with the other terms of its license and exploration contract. The terms of the exploration and production contract will establish the royalty and other payments due to the government in connection with commercial production. At the time the commercial production contract is issued, we will be required to begin repaying the government its historical investment costs of exploration and development of the ADE Block and the Extended Territory. The obligation associated with the ADE Block is approximately \$6 million. The obligation we will be required to assume in connection with the Extended Territory has not yet been determined and is currently being negotiated. If satisfactory terms for commercial production rights cannot be negotiated, it could have a material adverse effect on our financial position.

Environmental Risks

The exploration and development of our projects are subject to Kazakh laws and regulations concerning environmental matters and the discharge of hazardous wastes and materials. We have and intend to continue to conduct our activities in compliance with international environmental and occupational health and safety norms, even if they exceed the currently applicable Kazakh requirements.

Future environmental laws and regulations could impose increased capital or operating costs on us and could restrict and/or delay the development or operation of our projects.

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As the holder of rights to oil and gas properties, we are subject to various federal, states, local and foreign laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may impose liability on us for the cost of pollution cleanup

resulting from operations and could subject us to liability for pollution damages.

Employees

At the time of this filing, we had 133 full-time employees. We believe that our relationships with our employees are good. None of our employees are covered by a collective bargaining agreement. From time to time we utilize the services of independent consultants and contractors to perform various professional services. Field and on-site production operation services, such as pumping, maintenance, dispatching, inspection and testing are generally provided by independent contractors.

Executive Offices

Our principal executive and corporate offices are located in an office building located at 20A Kazibek Bi Street, in Almaty, Kazakhstan. We lease this space and believe it is sufficient to meet our needs for the foreseeable future.

During our fourth fiscal quarter we decided to close our New York office. We are currently in the process of finalizing that closure and hope to sublease this office space for the remaining term of the lease.

Reports to Security holders

We file Annual Reports on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K and other items with the Securities and Exchange Commission (SEC). We provide free access to all of these SEC filings, as soon as reasonably practicable after filing, on our Internet web site located at www.bmbmunai.com. In addition, the public may read and copy any documents we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains its Internet site www.sec.gov, which contains reports, proxy and information statements and other information regarding issuers like BMB Munai.

Item 3. Legal Proceedings.

In December 2003, a complaint was filed in the 15th Judicial Court in and for Palm Beach County, Florida, naming, among others, us, Georges Benarroch and Alexandre Agaian, current or former BMB directors, as defendants. The plaintiffs, Brian Savage, Thomas Sinclair and Sokol Holdings, Inc., allege claims of breach of contract, unjust enrichment, breach of fiduciary duty, conversion and violation of a Florida trade secret statute in connection with a

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business plan for the development Aksaz, Dolinnoe and Emir oil and gas fields owned by Emir Oil, LLC. The plaintiffs seek unspecified compensatory and exemplary damages.

We will vigorously defend ourselves in this action and challenge the merit of each claim alleged by plaintiffs. We have retained the law firm of Gunster, Yoakley & Stewart, P.A., located in Fort Lauderdale, Florida to represent the defendants in connection with this litigation. We have filed motions to dismiss the plaintiffs' complaint on jurisdictional grounds. The motions were scheduled for hearing in late August 2004, however, that hearing has been stayed by stipulation of the parties to allow the parties to conduct jurisdictional discovery. The hearing has not yet been rescheduled by the parties. No discovery on the merits of the claims has begun and no trial date has been set by the court.

Based on the same set of facts alleged in the Florida case, in April 2005, Sokol Holdings, Inc., also filed a complaint in United States District Court, Southern District of New York alleging that the Company, Boris Cherdabayev, Alexandre Agaian, Bakhytbek Baiseitov, Mirgali Kunayev and Georges Benarroch, wrongfully induced Tolesh Tolmakov to breach a contract under which Tolmakov had agreed to sell to Sokol 70% of his 90% interest in Emir Oil LLP. In the complaint, Sokol seeks damages in an unspecified amount exceeding \$75,000 to be determined at trial, punitive damages, specific performance in the form of an order compelling BMB to relinquish its interest in Emir and the underlying interest in the ADE fields to Sokol and such other relief as the court finds just and reasonable.

We have retained the law firm of Bracewell & Giuliani located in New York, New York to represent us in the lawsuit. We intend to answer the complaint and to vigorously defend ourselves on jurisdictional grounds and on the merits. The plaintiff has not named Tolmakov as a defendant in the action nor has the plaintiff ever brought claims against Tolmakov to establish the existence or breach of any legally binding agreement between the plaintiff and Tolmakov. A scheduling conference has been set for August 12, 2005.

In the opinion of management, the resolution of this lawsuit will not have a material adverse effect on our financial condition, results of operations or cash flows.

Other than the foregoing, to the knowledge of management, there is no other material litigation or governmental agency proceeding pending or threatened against the Company or our management.

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Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended March 31, 2005.

PART II

Item 5. Market Price of and Dividends on Registrants Common Equity and Other Shareholder Matters.

Our shares are currently traded on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol BMBM. As of June 2, 2005, we had approximately 375 shareholders of record holding 31,958,846 common shares. Of the issued and outstanding common stock, approximately 2,937,886 are free trading, the balance are "restricted securities" as that term is defined in Rule 144 promulgated by the Securities and Exchange Commission.

The published high and low bid quotations from April 1, 2003 through March 31, 2005, were furnished to us by Pink Sheets, LLC, are included in the chart below. These quotations represent prices between dealers and do not include retail markup, markdown or commissions and may not represent actual transactions.

	High ----	Low ---	
Fiscal year ending March 31, 2005 -----			
First Quarter	\$5.75	\$3.80	
Second Quarter	7.65	3.00	
Third Quarter	7.05	3.00	
Fourth Quarter	5.40	4.60	
Fiscal year ending March 31, 2004 -----			
First Quarter	\$0.31	\$0.15	
Second Quarter	1.20	0.31	
Third Quarter (Oct 1 thru Dec 11)		1.90	0.60
Third Quarter (Dec. 12 thru Dec. 31, after 1 share for 10 reverse split)	7.00	1.05	
Fourth Quarter	8.00	1.75	

Cash Dividends

During the fiscal year ended March 31, 2005, the Company did not pay, nor declared, any dividends. The Company's ability to pay dividends is subject to limitations imposed by Nevada law. Under Nevada law, dividends may be paid to the extent that the corporation's assets exceed its liabilities and it is able to pay its debts as they become due in the usual course of business. The Board of Directors does not, however, anticipate paying any dividends in the foreseeable

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future; it intends to retain the earnings that could be distributed, if any, for

the operations, expansion and development of its business.

Securities for Issuance Under Equity Compensation Plans

As of June 12, 2005, shares of our common stock were subject to issuance upon the exercise of outstanding options or warrants as set forth below.

<TABLE>

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in columns (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	60,000	\$4.00	4,940,000
Equity compensation plans not approved by security holders	810,321	\$4.05	-0-
Total	870,321	\$4.04	4,940,000

</TABLE>

In October 2004, we agreed to grant stock options under our 2004 Stock Incentive Plan to Gary Lerner, our corporate Secretary, to purchase 60,000 shares of our common stock. The options have an exercise price of \$4.00 per share and expire in October 2009.

On November 19, 2003, we granted an option to Credifinance Securities Limited for services rendered by Credifinance as our agent in connection with private placements made by us in November 2003. Georges Benarroch, a Company director is also the CEO of Credifinance and may be deemed to be a related party. The option grants Credifinance the right to purchase up to 142,857 shares of our common stock at an exercise price of \$3.50 per share. The option expires on November 26, 2008. The option provides for adjustments to the number of shares and/or the price per share to protect the holder against dilution and in the event of mergers, reorganizations and similar events. The option also requires that in the event we determine to make a registered public offering during the term of the option, we shall use our best efforts to include the common shares underlying the options in the registration statement.

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In December 2003, we granted Credifinance agent warrants in connection with funds raised on our behalf. The agent warrants grant Credifinance the right to purchase up to 275,050 shares of our common stock at an exercise price of \$2.15 and 208,000 shares of our common stock at an exercise price of \$2.50 per share. The warrants provide for adjustments to the number of shares and/or the price per share to protect the holder against dilution and in the event of mergers, reorganizations and similar events. In May and June 2005, Credifinance exercised its warrants to purchase 275,050 common shares for \$2.15 per share and 109,030 common shares for \$2.50 per share.

In connection with a private offering of our common stock conducted during the second fiscal quarter, we issued placement agent warrants to Credifinance and Aton Securities, Inc., at various times from July 2004 to September 2004. The placement agent warrants grant Credifinance the right to purchase up to 148,980 shares of our common stock and Aton Securities the right to purchase up to 309,454 shares of our common stock. The options are exercisable at price of \$4.00 per share and expire at various times from January 31, 2006 to March 19, 2006. The agent warrants provide for adjustments to the number of shares and/or the price per share to protect the holder against dilution in the event of mergers, reorganizations and similar events.

Subsequent to the end of our fiscal year, in April 2005 we issued

Credifinance and Aton Securities placement agent warrants in connection with funds raised on our behalf during the quarter ended March 31, 2005. The placement agent warrants grant Credifinance the right to purchase 50,100 shares of our common stock and Aton Securities the right to purchase 60,000 shares of our common stock. The warrants issued to Credifinance and Aton Securities are exercisable at a price of \$5.00 per share. The warrants expire on April 11, 2006. The option provides for adjustments to the number of shares and/or the price per share to protect the holder against dilution and in the event of mergers, reorganizations and similar events.

Recent Sales of Unregistered Securities.

During the quarter ended March 31, 2005 the following equity securities, which were not registered under the Securities Act of 1933, were issued.

During and subsequent to the quarter end, we issued 3,101,000 restricted common shares to investors for \$5.00 per share, raising gross proceeds of \$15,505,000 in a private placement. The shares were issued without registration under the Securities Act of 1933 in reliance upon exemptions from registration pursuant to Rule 506 of Regulation D and Regulations S of the rules and regulations promulgated by the Securities and Exchange Commission under the Securities Act of 1933.

As discussed above, at the closing of the recent private placement we granted placement agent warrants to Aton Securities and Credifinance, a related company through a common director, in the amounts of 60,000 and 50,100

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respectively, to purchase shares of our common stock at \$5.00 per share. These warrants are immediately exercisable and expire on April 11, 2006. The warrants were issued without registration under the Securities Act of 1933 in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933.

In May and June 2005, Credifinance exercised warrants granted in December 2003 to purchase 275,050 common shares for \$2.15 per share and 109,030 common shares for \$2.50 per share, for an aggregate purchase price of \$863,932. The shares were issued without registration pursuant to Regulation S of the rules and regulations promulgated by the Securities and Exchange Commission under the Securities Act of 1933.

Item 6. Management's Discussion and Analysis of Results of Operations

The following discussion is intended to assist you in understanding our results of operations and our present financial condition. Our Consolidated Financial Statements and the accompanying notes included elsewhere in this Form 10-KSB contain additional information that should be referred to when reviewing this material.

Statements in this discussion may be forward-looking. These forward-looking statements involve risks and uncertainties, including those discussed below, which could cause actual results to differ from those expressed. Please read Forward-Looking Information on page 3.

Overview

We operate in one segment, natural gas and oil exploration and development. We hold a contract that currently allows us to explore and develop approximately 460 square kilometers in western Kazakhstan. Our contract includes the ADE Block and the Extended Territory, which are collectively referred to herein as "our properties."

Under our contract we are permitted to explore for oil and natural gas within our properties. Our contract also grants us the right to sell the oil and natural gas recovered during test production to generate revenue. We have been engaged in test production and selling of crude oil since May 2004. Under the terms of our contract, we are required to sell the oil and gas we produce in the Kazakhstan domestic market until we apply for and are granted permission to export our production. The average price per barrel of crude oil in the Kazakhstan domestic market during the past twelve months has been approximately \$15 per barrel, significantly lower than the world market price. For most of

fiscal 2005, we lacked sufficient storage capacity to accumulate adequate volumes of oil for exportation. With the completion of additional storage capacity at the facility, we now have the capability to export oil for sale in the world markets. We will apply for permission from the government to begin exporting our production for sale in the world markets. We anticipate realizing greater revenue per barrel once we begin exporting oil to the international world markets.

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During the fiscal year ended March 31, 2005 we generated revenue of \$973,646. We did not generate any revenue during the period from inception (May 6, 2003) through March 31, 2004 because we did not begin test production until May 2004. For the year ended March 31, 2005 crude oil accounted for 100% of our production and revenues.

We invested approximately \$17,411,861 in cash in exploration and development of our properties during the fiscal year ended March 31, 2005. Our budget for exploration and development of our properties for the upcoming fiscal year is approximately \$10 million to \$14 million.

We have and will continue to seek to increase our proven reserves through continued exploration of our properties, as well as the acquisition of other properties with exploration and production potential.

For us to operate profitably and grow in the future we need to obtain additional capital either through additional fund raising or through significantly increased production. Our revenue, profitability and future growth depend substantially on factors beyond our control, such as economic, political and potential regulatory and competition from other sources of energy. Oil and natural gas prices historically have been volatile and may fluctuate widely in the future. Sustained periods of low prices for oil or natural gas could materially and adversely affect our financial position, results of operations, the quantities of oil and natural gas reserves that we can economically produce, the markets into which we can sell our oil and our access to additional capital. In a worst case scenario, future drilling operations could be largely unsuccessful, oil and gas prices could sharply decline, we could fail to gain access to the world oil markets and/or other factors beyond our control could cause us to modify or substantially curtail our exploration and development plans, which could negatively impact our earnings, cash flow and most likely the trading price of our securities.

Results of Operations

The following table sets forth selected operating data for the periods indicated:

<TABLE>
<CAPTION>

	For the year ended March 31, 2005	For the period from inception (May 6, 2003) through March 31, 2004
<S>	<C>	<C>
Revenues:		
Oil and gas sales	\$ 973,646	-
Expenses:		
Oil and gas operating(1)	197,697	-
Production	265,149	-
Selling	206,929	-
Depreciation, depletion and Amortization	133,903	4,758
General and administrative	4,060,962	781,757

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Net Production Data:

Oil (Bbls)	68,755	-
Natural gas (Mcf)	-	-
Barrels of oil equivalent (BOE)	-	-

Average Sales Price:

Oil (per Bbl)	15.17	-
---------------	-------	---

Natural gas (per Mcf)	-	-
Equivalent price (per BOE)	-	-
Expenses (\$ per BOE):		
Oil and gas operating(1)	3.08	-
Depreciation, depletion and amortization(2)	1.05	-

</TABLE>

- (1) Includes lease operating costs and production and ad valorem taxes.
(2) Represents depreciation, depletion and amortization of oil and gas properties only.

Year ended March 31, 2005 compared to the period from inception (May 6, 2003) through March 31, 2004

Revenue and Production

The following table summarizes production volumes, average sales prices and operating revenue for our oil and natural gas operations for the year ended March 31, 2005 and the period from inception (May 6, 2003) to March 31, 2004.

<TABLE>

<CAPTION>

	Fiscal 2005 Compared to the Period from inception (May 6, 2003) through March 31, 2004			
	For the Fiscal Year ended March 31, 2005	For the Period from Inception Through March 31, 2004	\$ Increase (Decrease)	% Increase (Decrease)
<S>	<C>	<C>	<C>	<C>
Production volumes:				
Natural gas (Mcf)	-	-	-	-
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	68,755	-	68,755	N/A
Barrels of oil equivalent (BOE)	-	-	-	-
Average Sales Price				
Natural gas (\$ per Mcf)	\$ -	\$ -	\$ -	\$ -
Natural gas liquids (\$ per Bbl)	\$ -	\$ -	\$ -	\$ -
Oil and condensate (\$ per Bbl)	\$ 15.17	\$ -	N/A	N/A
Barrels of oil equivalent (\$ per BOE)	-	\$ -	\$ -	\$ -
Operating Revenue:				
Natural gas	\$ -	\$ -	\$ -	\$ -
Natural gas liquids	\$ -	\$ -	\$ -	\$ -
Oil and condensate	\$973,646	\$ -	\$973,646	N/A
Gain on hedging and derivatives(1)	\$ -	\$ -	\$ -	\$ -
Total	\$973,646	\$ -	\$973,646	\$ -

</TABLE>

- (1) We did not engage in hedging transactions, including derivatives during the fiscal year ended March 31, 2005, or the period from inception to March 31, 2004.

Revenues. We generate revenue under our contract from the sale of oil and natural gas recovered during test production. During the year ended March 31, 2005, we realized revenue from oil and gas sales of \$973,646 compared to \$0 during the year ended March 31, 2004. This increase in revenues in the 2005 fiscal year is primarily the result of the fact that in the period from inception through March 31, 2004, we were just beginning operations and seeking to acquire rights to oil and gas properties and we had no oil and gas sales during that period. We anticipate revenues will continue to increase in the upcoming fiscal year. At the present time, however, it is unclear the rate at which our production and corresponding revenues may increase.

Our revenue is sensitive to changes in prices received for our products. Our production is sold at the prevailing market price in Kazakhstan,

which fluctuates in response to many factors that are outside our control. Imbalances in the supply and demand for oil can have a dramatic effect on the prices we receive for our production. Political instability, the economy, weather and other factors outside our control could impact supply and demand.

Costs and Operating Expenses

Production Expenses. During the fiscal year ended March 31, 2005, we incurred \$265,149 in production expenses. We had no similar expense during the period from May 6, 2003, to March 31, 2004 because we were not engaged in oil and gas production during the prior period. We expect production expenses to continue to increase in the upcoming fiscal year. At the present time, however, it is unclear the rate at which our production expenses may increase in the upcoming fiscal year.

Selling Expenses. We incurred selling expenses of \$206,929 during the fiscal year ended March 31, 2005 compared to \$0 during the period from inception through March 31, 2004. We did not incur selling expenses in the prior year period because we did not engage in the sale of oil or gas during that period.

General and Administrative Expenses. General and administrative expenses during the fiscal year ended March 31, 2005 were \$4,060,962 compared to \$781,757 during the period from inception on May 6, 2003 through March 31, 2004. This represents a 419% increase in general and administrative expenses. This significant increase is attributable to a 208% increase in payroll and other compensation, a 284% increase in professional fees, a 781% increase in business trip expenses, a 359% increase in taxes, a 2,049% increase in rent, a 992% increase in transportation, a 5,016% increase in insurance expense, a 2,152% increase in communication expenses and a 979% increase in other expenses. During the 2005 fiscal year we accrued a \$250,000 obligation required under our work program to contribute to the Astana Fund, a government fund used to fund construction and development Astana, Kazakhstan - the capital of Kazakhstan.

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This was a one-time obligation. This amount was paid by us subsequent to our fiscal year end. Additionally, we established bad debt reserves in the amount of \$129,051 on advances for inventory purchases during the fiscal year ended March 31, 2005. The significant increase in general and administrative expenses is largely the result of hiring more personnel to operate our business, using services of technicians, engineers, accountants and lawyers, as well as incurring other general corporate expenses. We anticipate general and administrative expenses will increase in the upcoming fiscal year. However, we do not expect general and administrative expenses to increase at such a significant rate in the upcoming year. We anticipate increases in revenue, operating costs and selling costs will outpace the increase in general and administrative expenses in the upcoming year.

In April 2005 we elected to relocate our U.S. offices to Salt Lake City. Consequently we plan to sublease our office space in New York City to another company. We also reduced the number of employees we have in our U.S. office. We believe these measures will reduce our rent, taxes and other relevant expenses in the upcoming fiscal year.

Loss from Operations. As a result of significantly increasing expenses, which were only partially offset by revenue from oil and gas sales, during the fiscal year ended March 31, 2005 we realized a loss from operations of \$3,625,845 compared to a net loss from operations of \$786,515 during the period from May 6, 2003 to March 31, 2004. Until such time as revenue from oil and gas sales exceeds expenses we will continue to generate operating losses. At this time, it is unclear when we will generate sufficient oil and gas to offset our expenses.

Other Income. During the fiscal year ended March 31, 2005 we realized total other income of \$501,830 compared to \$254,717 for the period from May 6, 2003 to March 31, 2004. This 97% increase in other income is largely attributable to \$428,572 increase in exchange gain resulting from fluctuations of foreign currency rates against the U.S. Dollar, a \$165,699 increase in realized gain on dealing securities and our realizing interest income of \$17,799 compared to interest payments of \$84,007, partially offset by a \$501,174 decrease in realized and unrealized gains on marketable securities. During the 2005 fiscal year we raised approximately \$27 million through the sale of our securities in private placement transactions. Therefore, at times during the

year, we had funds that were not being used in operations that we invested in marketable securities. We anticipate the funds held in marketable securities will be used to fund our operations and therefore expect gains from marketable securities, both realized and unrealized, to decrease in the next twelve months.

Net Loss. During the fiscal year ended March 31, 2005 we realized a net loss of \$3,124,358 compared to a net loss of \$613,782 for the period from inception, May 6, 2003 through March 31, 2004. As discussed above this net loss is largely the result of our engaging in active exploration and development activities and operations for the entire 2005 fiscal year, whereas we were not engaged in active operations for much of the prior fiscal period. We will continue to realize net losses from operations until such time as revenues generated from oil and gas production and sales and other income offset our expenses. At this time, it is unclear when, or if, that may occur.

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Liquidity and Capital Resources

Funding for our activities has historically been provided by funds raised through the sale of our common stock. From inception on May 6, 2003 through March 31, 2005, we have raised \$37,416,034 through the sale of our common stock and proceeds from the issuance of convertible debt. As of March 31, 2005, we had cash and cash equivalents of \$9,989,632. We anticipate our capital resources in the upcoming twelve months will likewise consist primarily of funds raised in financing activities and revenue from the sale of oil and gas recovered during test production.

Our need for capital, in addition to funding our ongoing operations, is primarily related to the exploration and development of our properties as required under our contract, and the potential acquisition of additional oil and gas properties. For the period from inception on May 6, 2003 through March 31, 2005, we have incurred capital expenditures of \$42,964,359 for exploration, development and acquisition activities.

Cash Flows

During the fiscal year ended March 31, 2005 cash was primarily used to fund exploration and development expenditures. We had a net increase in cash and cash equivalents of \$7,863,277 during the current fiscal year. See below for additional discussion and analysis of cash flow.

<TABLE>

<CAPTION>

	Period from inception	
	Twelve months ended	(May 6, 2003) through
	March 31, 2005	March 31, 2004

<S>	<C>	<C>
Net cash used in operating activities	\$ (1,415,004)	\$(3,445,339)
	\$(18,001,879)	\$(6,564,180)
Net cash used in investing activities		
Net cash provided by financing activities	\$ 27,280,160	\$12,135,874

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 7,863,277	\$ 2,126,355
	=====	

</TABLE>

Our primary source of cash has been cash flows from equity offerings. During the fiscal year ended March 31, 2005 we realized \$27,280,160 from the sale of our common stock. We primarily used this cash to fund our capital expenditures. At March 31, 2005 we had cash on hand of \$9,989,632.

We continually evaluate our capital needs and compare them to our capital resources. Our budgeted capital expenditures for the upcoming 12 months are \$10 million to \$14 million for exploration, development, production and acquisitions. We expect to fund these expenditures primarily from additional capital we will seek and cash on hand. In the event we are not successful in raising the anticipated funds from the sale of our securities, we nevertheless

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believe capital expenditures of approximately \$10 million to \$14 million could

be financed through cash on hand, the sale of marketable securities and revenues from anticipated oil production. The minimum level of capital expenditures on our properties is dictated by the contract. The amount of funds we devote to any particular activity in excess of the minimum required capital expenditures may increase or decrease significantly depending on available opportunities, cash flows and development results, among others.

If we are not successful in obtaining funding, we anticipate that we will instead seek to develop existing wells and infrastructure in hopes of generating sufficient revenue to finance our operations. This development would be funded by cash and cash equivalents and the sale of marketable securities we currently hold. If the funding is limited to these sources, our anticipated development activities would be significantly more limited than anticipated under our present business plan.

As discussed in Note 2 to the Consolidated Financial Statements, we hold marketable securities consisting of short-term repurchase agreements for securities issued by Kazakhstan banks and Kazakhstan financial institutions. Additionally, certain operating cash flows are denominated in local currency and are translated into U.S. dollars at the exchange rate in effect at the time of the transaction. As more fully disclosed in the "Risks of Doing Business in Kazakhstan" section of the "Description of Business," because of the potential for civil unrest, war and asset expropriation, some or all of these matters, which impact operating cash flow, may affect our ability to meet our short-term cash needs.

Contractual Obligations and Contingencies

The following table lists our significant commitments at March 31, 2005, excluding current liabilities as listed on our consolidated balance sheet:

<TABLE>

<CAPTION>

Contractual obligations	Payments Due By Period				
	Total year	Less than 1 year	1-3 years	4-5 years	After 5 years
<S>	<C>	<C>	<C>	<C>	<C>
Capital Expenditure Commitment(1)	\$19,800,000	\$9,300,000	\$10,500,000	-	-
Due to the Government of the Republic of Kazakhstan(2)(3)	\$ 5,994,200	-	\$ 5,994,200	-	-
Due to Reservoir Consultants	\$ 500,000	\$ 278,000	\$ 222,000	-	-
Liquidation Fund	\$ 60,973	-	-	-	\$60,973

</TABLE>

- (1) Under the terms of our contract with the ROK, we are required to spend a total of at least \$19.8 million dollars in exploration, development and improvements within the ADE Block, as extended during the term of the license, including \$9.3 million in the 2005 calendar year, \$6 million in the 2006 calendar year and \$4.5 million in the 2007 calendar year. If we fail to do so, we may be subject to the loss of our exploration license.
- (2) In connection with our acquisition of the oil and gas contract covering the ADE Block, we are required to repay the ROK for historical costs incurred by it in undertaking geological and geophysical studies and infrastructure improvements. The repayment terms of this obligation will not be determined until such time as we apply for and are granted commercial production rights by the ROK. Under our contract, if we wish

to commence commercial production, we must apply for such right prior to the expiration of our exploration and development rights in June 2007. We are legally entitled to receive commercial production rights and have the exclusive right to negotiate such with the ROK, and the ROK is required to conduct the negotiations under the Law of Petroleum in Kazakhstan. Although we can apply for commercial production rights at any time, we enjoy certain benefits under our contract that currently make it more economically advantageous for us to continue exploration and development activities at this time. We anticipate that we will apply for commercial production rights sometime during the first half of the 2007 calendar year. Should we decide not to pursue a

commercial production contract, we can relinquish the ADE Block to the ROK in satisfaction of this obligation.

- (3) As with the ADE Block, we will also be required to repay the ROK its historical costs for access to and use of geological and geophysical data gathered and infrastructure improvement previously made by the ROK within the Extended Territory. We are presently negotiating the amount and terms of this obligation with the ROK. This approximately \$6 million obligation represents only our repayment obligation with respect to the ADE Block, and not the extended territory.

Off-Balance Sheet Financing Arrangements

As of March 31, 2005, we had no off-balance sheet financing arrangements.

Critical Accounting Policies

We have identified the policies below as critical to our business operations and the understanding of our financial statements. The impact of these policies and associated risks are discussed throughout Management's Discussion and Analysis and Plan of Operations where such policies affect our reported and expected financial results. A complete discussion of our accounting policies is included in Note 2 of the Notes to Consolidated Financial Statements.

Development Stage

We are a development stage company and have not yet commenced our primary revenue generating activities, which is the commercial production and sale of oil and natural gas. Our ability to realize the carrying value of our assets is dependent on being able to produce and sell oil from our properties. Our Consolidated Financial Statements have been presented on the basis that we are a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. We have accumulated losses totaling \$3,738,140 and have incurred some amount of debt in the development phase of our operations. To fully develop our properties and achieve positive cash flow, we will require additional funding. The Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities which might be necessary should we be unable to continue in existence.

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Foreign Exchange Transactions

Transactions denominated in foreign currencies are reported at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollar at the rates of exchange prevailing at the balance sheet dates. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as an exchange gain or loss in the Consolidated Statements of Income.

Full Cost Method of Accounting

We follow the full cost method of accounting for our costs of acquisition, exploration and development of oil and gas properties.

Under full cost accounting rules, the net capitalized costs of evaluated oil and gas properties shall not exceed an amount equal to the present value of future net cash flows from estimated production of proved oil and gas reserves, based on current economic and operating conditions, including the use of oil and gas prices as of the end of each quarter.

Given the volatility of oil and gas prices, it is reasonably possible that the estimate of discounted future net cash flows from proved oil and gas reserves could change. If oil and gas prices decline, even if only for a short period of time, it is possible that impairments of oil and gas properties could occur. In addition, it is reasonably possible that impairments could occur if costs are incurred in excess of any increases in the cost ceiling, revisions to proved oil and gas reserves occur, or if properties are sold for proceeds less than the discounted present value of the related proved oil and gas reserves.

Recently Issued Accounting Pronouncements

In June 2004, the FASB issued an exposure draft of a proposed statement, "Fair Value Measurements" to provide guidance on how to measure the fair value of financial and non-financial assets and liabilities when required by other authoritative accounting pronouncements. The proposed statement attempts to address concerns about the ability to develop reliable estimates of fair value and inconsistencies in fair value guidance provided by current U.S. GAAP, by creating a framework that clarifies the fair value objective and its application in GAAP. In addition, the proposal expands disclosures required about the use of fair value to re-measure assets and liabilities. The standard would be effective for financial statements issued for fiscal years beginning after June 15, 2005. We are reviewing The Exposure Draft to determine the potential impact, if any, on our Consolidated Financial Statements.

In November 2004, the EITF ratified Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations." The EITF reached a consensus that classification of a disposed of or held-for-sale component as a discontinued operation is only appropriate if the ongoing entity (i) expects to have no continuing "direct" cash flows, and (ii) does not retain or expect to retain an interest, contract

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or other arrangement sufficient to enable it to exert significant influence over the disposed component's operating and financial policies after the disposal transaction. Application of this consensus did not have a material impact on our Consolidated Financial Statements.

In December 2004, the FASB issued Statement 153, "Exchanges of Non-monetary Assets," an amendment of APB Opinion 29, Accounting for Non-monetary Transactions. This amendment eliminates the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under Statement 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. This statement is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005 and will not impact our financial position or results of operations, and cash flows.

In December 2004, the FASB issued a revision of SFAS No. 123 "Share-Based Payment" (No. 123R). The statement establishes standards for the accounting for transactions in which an entity exchanges its equity investments for goods and services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The statement does not change the accounting guidance for share-based payments with parties other than employees. The statement requires a public entity to measure the cost of employee service received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exception). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). A public entity will initially measure the cost of employee services received in exchange for an award of a liability instrument based on its current fair value; the fair value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation over that period. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of these instruments. We will be required to comply with this pronouncement for periods beginning after December 15, 2005.

Effects of Inflation and Pricing

The oil and natural gas industry is very cyclical and the demand for goods and services of oil field companies, suppliers and others associated with the industry puts extreme pressure on the economic stability and pricing structure within the industry. Typically, as prices for oil and natural gas increase, so do all associated costs. Material changes in prices impact the

current revenue stream, estimates of future reserves, borrowing base calculations of bank loans and value of properties in purchase and sale transactions. Material changes in prices can impact the value of oil and natural gas companies and their ability to raise capital, borrow money and retain

personnel. While we do not currently expect business costs to materially increase, continued high prices for oil and natural gas could result in increases in the cost of material, services and personnel.

Item 7. Financial Statements

See Consolidated Financial Statement listed in the accompanying index to the Consolidated Financial Statements on Page F-1 herein.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 8A. Controls and Procedures

Our chief executive officer and our chief financial officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15 and Rule 15d-15(e)). Such officers have concluded (based upon their evaluations of these controls and procedures as of the end of the period covered by this report) that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in this report is accumulated and communicated to management, including the Certifying Officers as appropriate, to allow timely decisions regarding required disclosure.

The Certifying Officers have also indicated that there were no significant changes in our internal controls over financial reporting or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no significant deficiencies and material weaknesses.

Item 8B. Other Information

Subsequent to our decision to close our New York office in February 2005 Mr. Agaian informed the board of directors in April 2005 that he intended to resign as an officer and director of the Company. Mr. Agaian did not, however, tender his resignation at that time. We have been negotiating the terms of a separation agreement with Mr. Agaian. Although we have not concluded negotiations of the final terms of the separation agreement, Mr. Agaian tendered his resignation as a director, co-chief executive officer and president of the Company on July 13, 2005. We anticipate the final terms of a separation agreement with Mr. Agaian will be reached in the near future.

Mr. Agaian's resignation was not the result of any disagreement with the Company on any matter relating to our operations, policies or procedures.

Our board of directors has approved the appointment of Boris Cherdabayev, to serve as chief executive officer and president of the Company to fill the vacancies created by Mr. Agaian's resignation.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons.

The following table sets forth our directors, executive officers, promoters and control persons, their ages, and all offices and positions held within the Company. Directors are elected for a period of one year and thereafter serve until their successor is duly elected by the stockholders and qualified. Officers and other employees serve at the will of the Board of Directors.

Name	Age	Positions with BMB	Director Since
----	---	-----	-----

Boris Cherdabayev	51	Chairman of the Board of Directors President and Chief Executive Officer	November 2003
Bakhytbek Baiseitov	47	Director	November 2003
Georges Benarroch	57	Director	November 2003
Anuar Kulmagambetov	53	Chief Financial Officer	
Gary Lerner	41	Secretary	
Troy Nilson	40	Director	December 2004
Stephen Smoot	50	Director	January 2005
Valery Tolkachev	37	Director	December 2003

The above individuals will serve as our officers and/or directors. A brief description of their background and business experience follows:

Boris Cherdabayev. Mr. Cherdabayev joined BMB Holding, Inc., and assumed his current positions in May 2003. From May 2000 to May 2003, Mr. Cherdabayev served as Director at LLP TengizChevroil, a multination oil and gas company owned by Chevron, ExxonMobil, KazMunayGas and LukOil. From 1998 to May 2000, Mr. Cherdabayev served as a member of the Board of Directors, Vice-President of Exploration and Production and Executive Director on Services Projects Development for at NOC "Kazakhoil", an oil and gas exploration and production company. From 1983 to 1988, he served as a people representative at Novouzen City Council (Kazakhstan) and from 1994 to 1998; he served as a people's representative at Mangistau Oblast Maslikhat (regional level legislative structure) and a Chairman of the Committee on Law and Order. For his achievements Mr. Cherdabayev has been awarded with a national "Kurmet" order. Mr. Cherdabayev earned an engineering degree from the Ufa Oil & Gas Institute, with a specialization in "machinery and equipment of oil and gas fields" in 1976. Mr. Cherdabayev also earned an engineering degree from Kazakh Polytechnic Institute, with a specialization in "mining engineer on oil and gas fields' development." During his career he also completed an English language program in

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the US, NIAI-D Program (Chevron Advanced Management Program) at Chevron Corporation offices in San-Francisco, CA, USA, and CSEP Program (Columbia Senior Executive Program) at Columbia University, New York, NY USA.

Bakhytbek Baiseitov. In 1998, Mr. Baiseitov formed the first cooperative bank in the USSR, and continues to serve as the Chairman of the Board of the bank. The bank is now known as Bank CenterCredit. Since 1995, Mr. Baiseitov has also served as the Chairman of the Board of Kazakhstan International Bank. In 1989, Mr. Baiseitov was co-founder of the All-Union Association of Commercial Banks. Since 1996, Mr. Baiseitov has also served as a founder and president of The Banks Association of the Republic of Kazakhstan. At the present time Mr. Baiseitov is the chairman of the central audit committee of "Otan" (Native land) party with the social-democratic policy. Since 1999, as board chairman of "El-Daryn" Fund, Mr. Baiseitov has actively supported scientific, technological and social innovations in all spheres of reformation in Kazakhstan society. Mr. Baiseitov obtained his Masters degree from the Moscow Institute for Finance in 1979 and for two more years continued education at Almaty Institute of National Economy, at Credit and Finance department.

Georges Benarroch. Mr. Benarroch has been a member of the Investment Dealer Association of Canada and has served as the president and chief executive officer of Euro Canadian Securities Limited and its successor company, Credifinance Securities Limited, an institutional investment bank, based in Toronto, a member of the Toronto Stock Exchange and the Montreal Exchange since 1982. Credifinance Securities Limited has been one of the North American pioneers in providing investment banking and equity research coverage of companies in the FSU. Since 1994, Credifinance Securities Limited has acted as agent and/or underwriter, stock exchange sponsor, and introducing broker for a number of companies operating in the FSU and was instrumental in supporting Hurricane Hydrocarbons (now PetroKazakhstan) and Transmeridian Exploration through its early stage of development. Mr. Benarroch is also the president and chief executive officer of Credifinance Capital Inc. based in Toronto, Canada and Credifinance Capital Corp. based in Palm Beach, Florida, both companies specialized in proprietary trading, private equity funding and venture capital. Since 1994, he has also served as president and chief executive officer of InterUnion Financial Corporation, a "business bank", which in 1996 created InterUnion Asset Management, a Canadian money management firm with over \$1.5 billion under management prior to being sold in 2001. Mr. Benarroch graduated from the Faculte de Droit in Toulouse (France), with a B.Sc. degree from the

Universite de Montreal (Canada) in 1970. He received a M.Sc. International Relations and Economic Development from both the Faculte de Droit de Nice (France) and the Institut des Hautes Etudes Internationales, in 1972 and 1972 respectively. Mr. Benarroch completed a Doctorat de Droit (III cycle) at the Universite de Paris (France) in 1974.

Dr. Anuar Kulmagambetov. Since 1998, Dr. Kulmagambetov has served as an assistant to the chairman of the board at Bank CenterCredit, the fourth largest bank in Kazakhstan. While with Bank CenterCredit, Dr. Kulmagambetov provided risk management, analysis of long-range economic trends and projections, investment of funds and raising additional capital as required for expansion.

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Dr. Kulmagambetov also currently holds the position of board chairman of the Oil and Gas E&P Company "Bowels", which is licensed by government of the Republic of Kazakhstan for oil and gas exploration and production of up to 22,500 km² of prospective territories. In 1998 Dr. Kulmagambetov moved to Almaty, Kazakhstan as a lecturer at the International Business Academy, where he continues to teach courses in different disciplines, such as "Corporate Finance", "International Finances", "Mathematics for Finances." In 1969 after graduating with summa cum laude from a special high school for physics and mathematics Dr. Kulmagambetov continued his education at the Polytechnic Institute in Karaganda, Kazakhstan (specialized in automated informational systems). For his success in education he has been awarded a highest honorable grant (grant named after Lenin) and graduated from the institute in 1974 with diploma with honor. From 1975 to 1978 Dr. Kulmagambetov continued his scientific research under his doctorate program at the Institute for Mathematics and Mechanics of the Academy of Science of the Republic of Kazakhstan. In 1978 he moved to Moscow to continue his work at the Institute of Control Science.

Troy F. Nilson, CPA. Since February 2001, Mr. Nilson has served as an Audit Partner with Chisholm, Beirwolf & Nilson, Certified Public Accountants, in Bountiful, Utah. From December 2000 to February 2001, he served as an Audit Manager for Crouch, Bierwolf & Associates, Certified Public Accountants, in Salt Lake City, Utah. Prior to that time, Mr. Nilson served as the Senior Auditor for Intermountain Power Agency in Salt Lake City, Utah from March 1995 to December 2000. In past five years, Mr. Nilson has extensive public and private company audit, audit review and Securities and Exchange Commission disclosure and reporting experience. Mr. Nilson received licensure as a Certified Public Accountant in 1997. Mr. Nilson earned a Masters of Science Degree in Business Information Systems from Utah State University in December 1992, and a Bachelor of Science in Accounting from Utah State University in August 1990. Mr. Nilson is not a director or nominee of any other reporting company.

Stephen Smoot. During the past five years Mr. Smoot has been self-employed as a consultant in the area of foreign technology development and transfer. Mr. Smoot assisted in forming Caspian Service Group Limited, a wholly-owned subsidiary of EMPS Corporation, in December 1999, and served as President of Caspian Services from inception until February 2002. Mr. Smoot served as the Interim President of EMPS Corporation from June 2004 until December 2004. Mr. Smoot is not a director in any other reporting company.

Valery Tolkachev. Since 1999 Mr. Tolkachev has been employed with Aton Investment Company in Moscow, Russia. He is currently serving as a Managing Director of Capital Markets for Aton. From 1991 to 1999, Mr. Tolkachev served in various positions including, broker, analyst, manager and V.P. of Equities Department at MDM Bank, InkomBank, InkomCapital, Tveruniversalbank and TIRAbrok Company. Mr. Tolkachev graduated with Honors from the High Military School in Kiev, USSR in 1989. In June 2005 Mr. Tolkachev graduated from the Academy of National Economy, Moscow Law faculty and has applied for admission to practice law in Russia. Mr. Tolkachev serves as a director of EMPS Corporation, a U.S. reporting company.

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Gary Lerner. Mr. Lerner is a principal in the law firm of Lerner & Kaplan, PLLC, a law firm he co-founded in 2001. From 1998 to 2000, Mr. Lerner practiced law as a sole practitioner. Mr. Lerner received a B.S. degree from Polytechnic University of New York in electrical engineering and computer science in 1984. He earned a Masters degree in computer engineering from Syracuse University in New York in 1987. Mr. Lerner earned a Jurist Doctorate degree from New York Law School in 1998.

Family Relationships

There are no family relationships among our directors and/or executive officers.

Involvement in Certain Legal Proceedings

During the past five years none of our executive officers, directors, promoters or control persons has been involved in any of the following events that could be material to an evaluation of his ability or integrity, including:

- (1) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- (2) Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and
- (4) Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Board Committees

Our board of directors has established an audit committee, whose principal functions are to assist the board in monitoring the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of our independent auditors and our compliance with legal and regulatory requirements. The audit committee has the sole authority to retain and terminate our independent auditors and to approve the compensation paid to our independent auditors. The audit committee is also responsible for overseeing our internal audit function. The audit committee is comprised of two independent

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directors, consisting of Troy Nilson and Valery Tolkachev, with Mr. Nilson acting as chairman. Our board of directors has determined that Mr. Nilson qualifies as an "audit committee financial expert" under the rules of the SEC adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002. Mr. Nilson and Mr. Tolkachev each qualifies as "independent" in accordance with the applicable regulations adopted by the SEC.

Our board of directors has also established a compensation committee. The principal function of the compensation committee is to make recommendations regarding compensation of the Company's officers. The compensation of our chief executive officer is recommended to the board (in a proceeding in which our chief executive officer does not participate) by the compensation committee. Our compensation committee is comprised of three independent directors consisting of Troy Nilson, Valery Tolkachev and Stephen Smoot. Compensation for all other officers is also recommended to the board for determination, by the compensation committee.

We currently do not have a nominating committee. Instead, our independent directors fulfill the role of a nominating committee. When vacancies occur the board will consider director nominees recommended by shareholders, as well as director nominees recommended by a majority of the directors who are then independent.

Our board may establish other committees from time to time to facilitate our management. Compliance with Section 16(a) of the Exchange Act

Based solely on a review of Forms 3, 4 and 5 and amendments thereto

furnished to us during its most recent fiscal year, it appears that Valery Tolkachev inadvertently failed to timely file a Form 3 at the time he was appointed to the board of directors and Toleush Tolmakov failed to timely file a Form 3 at the time he was issued 3,500,000 shares of our common stock to acquire his 30% interest in Emir Oil.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive, financial and accounting officers and persons performing similar duties. The Code is designed to deter wrong-doing and promote honest and ethical behavior, full, fair, timely, accurate and understandable disclosure and compliance with applicable governmental laws, rules and regulations. It is also designed to encourage prompt internal reporting of violations of the Code to an appropriate person and provides for accountability for adherence to the Code. A copy of our Code of Ethics has been posted on our website and may be viewed at www.bmbmunai.com. A copy of the Code of Ethics will be provided to any person without charge upon written request to our Assistant Secretary at our U.S. offices, 324 South 400 West, Suite 250, Salt Lake City, Utah 84101.

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Item 10. Executive Compensation.

The following table sets forth information concerning the compensation paid by us during the period from inception (May 6, 2003) through the end of the 2004 fiscal year and for the 2005 fiscal year to our chief executive officer, former chief executive officer and other most highly compensated executive officers.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

Name & Principal Position	Year	Annual Compensation			Long Term Awards	Compensation Payouts			
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	LTIP Options /SARs #	Payout	All Other Compensation	
Alexandre Agaian Former CEO, Former President Former Director(1)	2005	\$230,122	\$ -0-	\$ -0-	\$ -0-	--	\$ -0-	\$ -0-	
	2004	168,463	-0-	-0-	-0-	--	-0-	-0-	
Boris Cherdabayev CEO, President and Director	2005	200,558	-0-	-0-	-0-	--	-0-	-0-	
	2004	10,000	105,000	-0-	-0-	--	-0-	-0-	
Anuar Kulmagambetov CFO	2005	185,667	-0-	-0-	-0-	--	-0-	-0-	
	2004	10,000	105,000	-0-	-0-	--	-0-	-0-	
Georges Benarroch Director, Former President, Former CEO(2)	2005	-0-	-0-	12,500	-0-	--	-0-	-0-	
	2004	-0-	-0-	-0-	-0-	--	-0-	-0-	

</TABLE>

- (1) Mr. Agaian was the president, co-chief executive officer and a director of the Company from November 2003 to July 2005.
- (2) Mr. Benarroch was the president and chief executive officer of InterUnion during the period when InterUnion was conducting no active operations prior to its merger with BMB Holding. Mr. Benarroch resigned as president and chief executive officer of the Company at the time of the merger.

Compensation of Directors

Effective as of September 2004, all our outside directors are compensated with a stipend of \$25,000 per year plus \$1,000 for each directors meeting attended in person, plus airfare and hotel expense. No director receives a salary as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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We currently have no employment contracts with any of our named executive officers. In the past three years no executive officer has received any amounts in connection with his resignation, retirement, or other termination. No executive officer received any amounts in the last three years in connection with a change in control of the Company or a change in the executive officer's responsibilities after a change in control.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The term "beneficial owner" refers to both the power of investment and the right to buy and sell our shares. It also refers to rights of ownership or the right to receive distributions from the Company and proceeds from the sale of Company shares. Since these rights may be held or shared by more than one person, each person who has a beneficial ownership interest in shares is deemed to be the beneficial owners of the same shares because there is shared power of investment or shared rights of ownership.

The following table sets forth as of June 3, 2004, the name and the number of shares of our common stock, par value of \$0.001 per share, held of record or beneficially by each person who held of record, or was known by us to own beneficially, more than 5% of the 31,958,846 outstanding shares of our common stock, and the name and shareholdings of each director and of all executive officers and directors as group.

Type of Security Name and Address	Amount & Nature of Beneficial Ownership	% of Class
Common Bakhytбек Baiseitov 20A Kazibek Bi Street Almaty 480100 Republic of Kazakhstan	1,714,286(1)	5.4%
Common Georges Benarroch 41A Avenue Road, Toronto, Ontario M5R 2G3, Canada	-0-	*
Common BMB Munai LLC 69A Kabanbai Batyr Street Almaty, Kazakhstan	7,657,143(1)	23.9%
Common Boris Cherdabayev 20A Kazibek Bi Street Almaty 480100 Republic of Kazakhstan	3,142,857(1)	9.8%
Common Toleush Tolmakov Daulet village, oil storage depot Aktau 466200 Republic of Kazakhstan	3,500,000	11.0%

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Common Anuar Kulmagambetov 20A Kazibek Bi Street Almaty 480100 Republic of Kazakhstan	285,714	*
Common Mirgali Kunayev 63 Dostyk Avenue, Second Floor Almaty 480100 *Republic of Kazakhstan	1,143,571(1)	3.6%
Common Troy Nilson 533 West 2600 South #250 Bountiful, Utah 84010	-0-	*

Common Stephen Smoot 875 Donner Way, Suite 705 Salt Lake City, Utah 84108	-0-	*
Common Valery Tolkachev 27/6 Pokrovka St. Moscow, Russia	-0-	*
All officers and directors as a group (8 persons)	12,800,000	40.1%

TOTAL	17,729,285	54.6%

* Less than 1%.

(1) BMB Munai, LLC., is a Kazakhstan limited company, in which Mr. Baiseitov holds a 33.34% interest and Messers. Cherdabayev and Kunayev each hold 33.33% interests. Therefore, Messers. Baiseitov, Cherdabayev and Kunayev may be deemed to be the beneficial owners of our shares that are held by BMB Munai, LLC.

Messers. Cherdabayev and Kulmagambetov are officers of the Company. Mr. Tolmakov is an officer of the Company's wholly-owned subsidiary, Emir Oil, LLC. Messers. Baiseitov, Benarroch, Cherdabayev, Nilson, Smoot and Tolkachev are directors of the Company.

Change in Control

To our knowledge, there are no present arrangements or pledges of our securities that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions.

The transactions described below were carried out on terms at least as favorable to the Company as could have been obtained from unaffiliated third parties in arm's length negotiations, however, because the transactions were with parties that may be deemed to be affiliates, it is possible that we would have obtained different terms from a truly unaffiliated third-party.

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On May 2, 2003, we obtained a short-term loan in the amount of \$2,000,000 from BMB Munai, LLC and Alexandre Agaian, who, at the time was an officer and director of the Company, to finance the acquisition of a 70% interest in Emir Oil. On November 26, 2003, this debt was converted to 571,429 shares of our common stock.

On September 15, 2003, we obtained a short-term loan from Caspian Services Group, Limited, a shareholder, and a related party through Mirgali Kunayev who, at the time was a director of both Caspian Services Group and BMB. The loan was in the amount of \$500,000 and was for a period of six months, bearing interest at 16.5% per annum. The loan was full repaid on November 26, 2003.

During 2004 and 2005, we have retained the services of several entities, including Caspian Services Group, TatArka, LLP, KazMorGeofizika CJSC, and PE Kunayeva to provide us with geophysical research, drilling and other services. Each of these entities may be deemed to be affiliated with BMB through Mirgali Kunayev, who served as a BMB director from November 2003 through January 13, 2005, and continues to be a BMB shareholder. Mr. Kunayev was or is an officer and/or director of Caspian Services, TatArka and KazMorGeofizika at the time these services were rendered or contracted for. Mr. Kunayev's sister owns PE Kunayeva. In connection these services, as of March 31, 2005, we have made, or are committed to make the following payments:

	For the period	
	For the year ended	from inception May 6, 2003
	March 31, 2005	through March 31, 2004

TatArka LLP	\$ 403,613	\$2,619,807
KazMorGeoFizika CJSC	\$ 181,536	\$ 33,180
PE Kunayeva	\$ 51,271	\$ -

Total	----- \$ 636,420 =====	----- \$2,652,987 =====
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During 2004 and 2005 we have leased land, oil storage facilities and office and warehouse space in Aktau, Kazakhstan from Term Oil Ltd. We expect to continue to lease these facilities for full term of our agreement with Term Oil, which expires on December 31, 2005. We are currently negotiating a long term extension of this lease, which we expect to complete by no later than September 2005. During the fiscal year ended March 31, 2005 and 2004 we paid Term Oil \$218,428 and \$12,817, respectively for the use of these facilities. Toleush Tolmakov, a BMB shareholder and director of Emir Oil is the owner of Term Oil.

During 2004 and 2005 both us and our subsidiary, Emir Oil, maintained bank accounts with Bank CenterCredit. During the fiscal year ended March 31, 2005 and the period from inception through March 31, 2004 we paid Bank CenterCredit \$19,777 and \$5,381 respectively for banking services provided. Bakhytbek Baiseitov, a BMB shareholder and director is the Chairman of the Board of Directors of Bank CenterCredit.

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During 2004 and 2005 Zhanaozen Repair and Mechanical Plant Ltd supplied construction materials for our exploration and development activities. During the fiscal year ended March 31, 2005 and the period from inception through March 31, 2004 we paid Zhanaozen Repair and Mechanical Plant Ltd \$116,403 and \$66,065 respectively for materials supplied. Adilbay Tolmakov, brother of Toleush Tolmakov, a BMB shareholder and director of Emir Oil, is 38% shareholder of Zhanaozen Repair and Mechanical Plant Ltd.

For additional information regarding transactions with related parties are disclosed in Note 18 to our Consolidated Financial Statements.

Item 13. Exhibits and Reports on Form 8-K.

(a) Reports on Form 8-K.

On January 18, 2005 we filed a Current Report on Form 8-K disclosing the resignation of Mirgali Kunayev from our board of directors and the appointment of Stephen Smoot to fill the vacancy created by Mr. Kunayev's resignation. We also disclosed that we had received notification from the State of Nevada that our change of domicile from the State of Delaware to the State of Nevada had been completed and that in connection with the change in domicile we had amended our Articles of Incorporation and By-Laws.

On March 11, 2005 we filed a Current Report on Form 8-K disclosing that we had engaged in a private placement of our common stock.

(b) Exhibits. The following exhibits are included as part of this report:

- Exhibit 21.1 Subsidiaries
- Exhibit 23.1 Consent of Chapman Petroleum Engineering Ltd.,
Independent Petroleum Engineers
- Exhibit 31.1 Certification of Principal Executive Officer Pursuant
to Section 302 of the Sarbanes-Oxley Act of 2002
- Exhibit 31.2 Certification of Principal Financial Officer Pursuant
to Section 302 of the Sarbanes-Oxley Act of 2002
- Exhibit 32.1 Certification of Principal Executive Officer Pursuant
to Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.2 Certification of Principal Financial Officer Pursuant
to Section 906 of the Sarbanes-Oxley Act of 2002.

Item 14. Principal Accountant Fees and Services

BDO Kazakhstanaudit served as our independent registered public accounting firm for the year ended March 31, 2005 and the period from inception through the year ended March 31, 2004, and is expected to serve in that capacity

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for the current year. Mintz & Partners LLP, Chartered Accountants served as our independent registered public accounting firm for the year ended March 31, 2003.

Principal accounting fees for professional services rendered for us by BDO Kazakhstanaudit for the year ended March 31, 2005 and 2004, is summarized as follows:

	2005	2004
Audit	\$149,343	\$126,314
Audit related	-	-
Tax	-	-
All other	-	-
Total	\$149,343	\$126,314

Principal accounting fees for professional services rendered for us by Mintz & Partners LLP, Chartered Accountants for the period from inception through March 31, 2004, is summarized as follows:

	2004
Audit	\$3,691
Audit related	-
Tax	-
All other	-
Total	\$3,691

Audit Fees. Audit fees were for professional services rendered in connection with our annual financial statement audits and quarterly reviews of financial statements for filing with the Securities and Exchange Commission.

Audit Committee Pre-Approval Policies and Procedures. At its regularly scheduled and special meetings, the Audit Committee considers and pre-approves any audit and non-audit services to be performed by our independent accountants. The Audit Committee has the authority to grant pre-approvals of non-audit services.

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SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf, thereunto duly authorized.

BMB MUNAI, INC.

Date: July 13, 2005 /s/ Boris Cherdabayev

 Boris Cherdabayev, Chief Executive
 Officer, President and Director

Date: July 13, 2005 /s/ Anuar Kulmagambetov

 Anuar Kulmagambetov, Chief Financial Officer

Date: July 13, 2005 /s/ Bakhytbek Baiseitov

 Bakhytbek Baiseitov, Director

Date: July 14, 2005 /s/ Georges Benarroch

 Georges Benarroch, Director

Date: July 13, 2005 /s/ Troy Nilson

Troy Nilson, Director

Date: July 13, 2005 /s/ Stephen Smoot

Stephen Smoot, Director

Date: July 13, 2005 /s/ Valery Tolkachev

Valery Tolkachev, Director

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BMB MUNAI, INC
(A Development Stage Entity)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2005

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Report of Independent Registered Public Accounting Firm

The Board of Directors
BMB Munai, Inc.

We have audited the accompanying consolidated balance sheet of "BMB Munai" Inc. (a company in the development stage) as of March 31, 2005, and the related consolidated statements of loss, shareholders' equity, and cash flows for the year ended March 31, 2005 and for the period from inception (May 6, 2003) through March 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these

financial statements based on our audit.

We conducted an audit in accordance with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BMB Munai, Inc. at March 31, 2005 and the consolidated results of its operations and its cash flow for the period from inception (May 6, 2003) through March 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

BDO Kazakhstanaudit, LLP

June 13, 2005
Almaty, Kazakhstan

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<TABLE>
<CAPTION>
BMB MUNAI, INC
(A Development Stage Entity)

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31

	Notes	2005
ASSETS		
CURRENT ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	6	\$ 9,989,632
Marketable securities	7	788,921
Trade accounts receivable		132,400
Inventories	8	3,227,411
Prepaid expenses, net	9	4,172,291
Total current assets		18,310,655
NON-CURRENT ASSETS		
Oil and gas properties, full cost method, net	11	42,964,359
Other fixed assets, net	12	683,459
Intangible assets, net	13	14,435
Restricted cash	14	60,973
Total non-current assets		43,723,226
TOTAL ASSETS		\$ 62,033,881
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	18	\$ 5,844,639
Due to reservoir consultants	14	278,000
Taxes payable		333,063

Due to Astana Fund	10	250,000	
Accrued liabilities and other payables		291,969	

Total current liabilities		6,997,671	

LONG TERM LIABILITIES			
Due to reservoir consultants	14	222,000	
Liquidation fund	14	60,973	
Deferred income tax liabilities	5	343	

Total long term liabilities		283,316	

COMMITMENTS AND CONTINGENCIES		19	-
SHAREHOLDERS' EQUITY			
Share capital	16	30,514	
Additional paid-in capital	16	58,460,520	
Deficit accumulated during the development stage		(3,738,140)	

Total shareholders' equity		54,752,894	

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			\$ 62,033,881
		=====	

See notes to the consolidated financial statements.

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</TABLE>

<TABLE>

<CAPTION>

BMB MUNAI, INC

(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF LOSS

	Notes	Year ended March 31, 2005	Period from inception (May 6, 2003) through March 31, 2004	Period from inception (May 6, 2003) through March 31, 2005
		<C>	<C>	<C>
<S>				
REVENUES	4	\$ 973,646	\$ -	\$ 973,646
EXPENSES				
Production		265,149	-	265,149
Selling		206,929	-	206,929
General and administrative		4,060,962	781,757	4,842,719
Amortization and depreciation		66,451	4,758	71,209
		-----	-----	-----
Total expenses		4,599,491	786,515	5,386,006
		-----	-----	-----
LOSS FROM OPERATIONS			(3,625,845)	(786,515)
				(4,412,360)
OTHER INCOME (EXPENSE)				
Realized gain on marketable securities			185,067	19,368
Unrealized gain (loss) on marketable securities		(252,767)	248,407	(4,360)
Foreign exchange gain, net		499,521	70,949	570,470
Interest income, net		17,799	(84,007)	(66,208)
Other income, net		52,210	-	52,210
		-----	-----	-----
Total other income (expenses)		501,830	254,717	756,547
		-----	-----	-----
LOSS BEFORE INCOME TAXES			(3,124,015)	(531,798)
				(3,655,813)
INCOME TAX EXPENSE	5	(343)	-	(343)

LOSS BEFORE MINORITY INTEREST		(3,124,358)	(531,798)	(3,656,156)
MINORITY INTEREST	15	-	81,984	81,984
NET LOSS		\$ (3,124,358)	\$ (613,782)	\$ (3,738,140)

WEIGHT AVERAGE COMMON SHARES				
OUTSTANDING	17	26,948,437	7,398,240	
LOSS PER COMMON SHARE (BASIC AND DILUTED)	17	\$ 0.116	\$ 0.083	

See notes to the consolidated financial statements.

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</TABLE>

<TABLE>

<CAPTION>

BMB MUNAI, INC

(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Notes	Number of shares	Share capital	paid-in capital	Additional accumulated during the development stage	Deficit	Total
<S>		<C>	<C>	<C>	<C>	<C>	<C>
At May 6, 2003 (Inception date)		491,655	\$ 492	\$ (492)	\$ -	\$ -	
Stock dividends		50,000	50	(50)	-	-	
Common stock issued during the merger		14,285,844	14,286	(14,286)	-	-	
Conversion of debt to common stock		571,428	571	1,999,429	-	2,000,000	
Common stock issued in private placement		4,830,494	4,830	9,931,044	-	9,935,874	
Options exercised		200,000	200	199,800	-	200,000	
Net loss for the period		-	-	(613,782)	(613,782)		
At March 31, 2004		20,429,421	20,429	12,115,445	(613,782)	11,522,092	
Common stock issued in exchange of 30% shares of Emir Oil LLC	16	3,500,000	3,500	19,071,500	-	19,075,000	
Common stock issued in private placement	16	6,584,340	6,585	27,273,575	-	27,280,160	
Common stock issued for subscription	16	1,101,000	1,101	5,503,899	-	5,505,000	
Subscription receivable	16	(1,101,000)	(1,101)	(5,503,899)	-	(5,505,000)	
Net loss for the year		-	-	(3,124,358)	(3,124,358)		
At March 31, 2005		30,513,761	\$ 30,514	\$ 58,460,520	\$ (3,738,140)	\$ 54,752,894	

See notes to the consolidated financial statements.

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</TABLE>

<TABLE>

<CAPTION>

BMB MUNAI, INC

(A Development Stage Entity)

CONSOLIDATED STATEMENTS OF CASH FLOW

	Notes	Year ended March 31, 2005	Period from inception (May 6, 2003) through March 31, 2004	Period from inception (May 6, 2003) through March 31, 2005		
<S>		<C>	<C>	<C>		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss		\$ (3,124,358)	\$ (613,782)	\$ (3,738,140)		
Adjustments to reconcile net loss to net cash used in operating activities:						
Depreciation, depletion and amortisation			133,903	4,758	138,661	
Provision for doubtful accounts			129,051	-	129,051	
Minority interest	15	(82,134)	82,134	-	-	
Deferred income tax liabilities	5	343	-	343		
Unrealized gain on dealing securities		252,767	(248,407)	4,360		
Changes in operating assets and liabilities						
Decrease / (increase) in dealing securities		1,837,448	(2,630,729)	(793,281)		
Increase in accounts receivable		(132,400)	-	(132,400)		
Increase in inventories		(3,043,527)	(183,884)	(3,227,411)		
Increase in prepaid expenses		(3,758,022)	(522,148)	(4,280,170)		
Increase in accounts payable and other accruals		6,371,925	750,726	7,122,651		
Net cash used in operations		(1,415,004)	(3,361,332)	(4,776,336)		
Interest paid		-	(84,007)	(84,007)		
Net cash used in operating activities		(1,415,004)	(3,445,339)	(4,860,343)		
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of oil and gas properties		(17,411,861)	(6,253,186)	(23,665,047)		
Acquisition of other fixed assets		(536,700)	(264,411)	(801,111)		
Acquisition of intangible assets		(12,345)	(5,411)	(17,756)		
Restricted cash		(40,973)	(20,000)	(60,973)		
Deposits		-	(21,172)	(21,172)		
Net cash used in investing activities		(18,001,879)	(6,564,180)	(24,566,059)		
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from sale of common stock	16	27,280,160	9,935,874	37,216,034		
Proceeds from short-term financing		-	500,000	500,000		
Repayment of short-term financing		-	(500,000)	(500,000)		
Proceeds from issuance of convertible debt		-	2,000,000	2,000,000		
Proceeds from exercise of common stock options		-	200,000	200,000		
Net cash provided by financing activities		27,280,160	12,135,874	39,416,034		
NET CHANGE IN CASH AND CASH EQUIVALENTS			7,863,277	2,126,355	9,989,632	
CASH AND CASH EQUIVALENTS at beginning of year			2,126,355	-	-	
CASH AND CASH EQUIVALENTS at end of year		6	\$ 9,989,632	\$ 2,126,355	\$ 9,989,632	
Non cash transactions:						
Conversion of debt into common stock		\$ -	\$ 2,000,000			
Accrual of liabilities to Astana Fund	10	\$ 250,000	\$ -			
Acquisition of 30% of Emir Oil LLP by issuance of 3,500,000 shares of common stock	16	\$ 19,075,000	\$ -			

See notes to the consolidated financial statements.

1. DESCRIPTION OF BUSINESS

BMB Munai, Inc. (the "Company") was incorporated in Utah in July 1981. The Company later changed domicile to Delaware on February 7, 1994. Prior to November 26, 2003, the Company existed under the name InterUnion Financial Corporation ("InterUnion"). The Company changed domicile from Delaware to Nevada in December 2004.

On November 26, 2003, InterUnion executed an Agreement and Plan of Merger (the "Agreement") with BMB Holding, Inc ("BMB"), a private Delaware corporation, formed for the purpose of acquiring and developing oil and gas fields in the Republic of Kazakhstan. As a result of the merger, the shareholders of BMB have obtained control of the Company. BMB was treated as the acquiror for accounting purposes. A new board of directors was elected that is comprised primarily of the former directors of BMB Holding, Inc.

The Company's financial statements presented are a continuation of BMB, and not those of InterUnion Financial Corporation, and the capital structure of the Company is now different from that appearing in the historical financial statements of InterUnion Financial Corporation due to the effects of the recapitalization.

The Company owns one hundred percent (100%) interest in Emir Oil LLP ("Emir Oil" or "Emir"). Emir Oil is a Limited Liability Partnership formed under the laws of the Republic of Kazakhstan for the sole purpose of acquiring the oil and gas exploration license AI No. 1552 (the "License") and Contract No. 482 for Exploration of Hydrocarbons in Aksaz-Dolinnoe-Emir oil fields, located in blocks XXXVI-10-C (Partially), F (Partially) XXXVI-11-A (Partially), D n (Partially) (the "Contract"), in the Republic of Kazakhstan.

The Company has a Representative office in Almaty, the Republic of Kazakhstan.

The Company has minimal operations to date and is considered to be in the development stage. The Company began test production at one well in May 2004 and at two wells in December 2004. In the first quarter of 2005 the Company completed drilling of one well.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Company's financial statements present the consolidated results of BMB Munai, Inc., and Emir Oil LLP, its 100% owned subsidiary (hereinafter collectively referred to as the "Company"). All significant inter-company balances and transactions have been eliminated from the Consolidated Financial Statements.

Emir Oil has a fiscal year ending December 31, which is different from Company's fiscal year end. All transactions of Emir Oil from the date of its purchase by BMB (June 7, 2003) through March 31, 2005 are reflected in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

These consolidated financial statements are prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

Emir Oil maintains its accounting records in Kazakhstan Tenge and prepares separate statutory financial statements in accordance with accounting legislation in the Republic of Kazakhstan. Statutory accounting principles and procedures in Kazakhstan differ from accounting principles generally accepted under US GAAP. Accordingly, the accompanying Consolidated Financial Statements, which include Emir Oil's statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with US GAAP.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the Consolidated Financial Statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and affect the results reported in these Consolidated Financial Statements.

Licences and contracts

Emir Oil is the operator of the Aksaz, Dolinnoe and Emir oil and gas fields in western Kazakhstan (the "ADE Block", the "ADE Fields"). The Government of the Republic of Kazakhstan (the "Government") initially issued the license to Zhanaozen Repair and Mechanical Plant on April 30, 1999. On September 23, 2002, the license was assigned to Emir Oil. On June 9, 2000, the contract for exploration of the Aksaz, Dolinnoe and Emir oil and gas fields was entered into between the Agency of the Republic of Kazakhstan on Investments and the Zhanaozen Repair and Mechanical Plant. On September 23, 2002, the contract was assigned to Emir Oil. On September 10, 2004 the Government extended duration of the Contract for exploration and License for seven years to June 9, 2007. On December 7, 2004 the Government assigned to Emir Oil exclusive right to explore the additional territory during the remaining term of the License. The Company is legally entitled to receive this commercial production contract and has an exclusive right to negotiate this Contract and the Government is obligated to conduct these negotiations under the Law of Petroleum in Kazakhstan. If no terms can be negotiated, the Company has a right to produce and sell oil, including export oil, under the Law of Petroleum for the term of its existing contract through June 9, 2007.

Foreign currency translation

Transactions denominated in foreign currencies are reported at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollar at the rates of exchange prevailing at the balance sheet dates. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as an exchange gain or loss in the Consolidated Statements of Income.

Share-Based Compensation

The Company accounts for options granted to non-employees at their fair value in accordance with FAS 123, Accounting for Stock-Based Compensation. Under FAS No. 123, stock-based compensation is determined as the fair value of the equity instruments issued. The measurement date for these issuances is the earlier of the date at which a commitment for performance by the recipient to earn the equity instruments is reached or the date at which the recipient's performance is complete. Stock options were granted to the "selling agents" in the private equity placement transactions and have been offset to the proceeds as a cost of capital.

The Company has a stock option plan as described in Note 16. Compensation expense for options granted to employees is determined based on their fair values at the time of grant, the cost of which is recognized in the Consolidated Statement of Income over the vesting periods of the respective options.

Risks and uncertainties

The ability of the Company to realize the carrying value of its assets is dependent on being able to develop, transport and market oil and gas. Currently exports from the Republic of Kazakhstan are primarily dependent on transport routes either via rail, barge or pipeline, through Russian territory. Domestic markets in the Republic of Kazakhstan might not permit world market price to be obtained. However, management believes that over the life of the project, transportation options will be improved by further increases in the capacity of the transportation options.

Recognition of revenue and cost

Revenue and associated costs from the sale of oil are charged to the period when goods were shipped or when ownership title transferred. Produced but unsold products are recorded as inventory until sold. As of March 31, 2005 the production unit of the Company - Emir Oil had test production sales at Kazakhstan domestic market price which is considerably lower than world market prices.

Income taxes

The Company accounts for income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the liability method, the effect on previously recorded deferred tax assets and liabilities resulting from a change in tax rates is recognized in earnings in the period in which the change is enacted.

Cash and cash equivalents

The Company considers all demand deposits and money market accounts purchased with an original maturity of three months or less to be cash and cash equivalents. The fair value of cash and cash equivalents approximates their carrying amounts due to their short-term maturity.

Marketable securities

Marketable securities consist of short term repurchase agreements for securities issued by Kazakhstan banks and Kazakhstan financial institutions. The Company records these marketable securities as trading securities and any change in the fair market value is recorded in earnings.

Trade accounts receivable and prepaid expenses

Accounts receivable and prepaid expenses are stated at their net realizable values after deducting provisions for uncollectable amounts. Such provisions reflect either specific cases or estimates based on evidence of collectability. The fair value of accounts receivable and prepaid expense accounts approximates their carrying amounts due to their short-term maturity.

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Inventories

Inventories of equipment for development activities, tangible drilling materials required for drilling operations, spare parts, diesel fuel, and various materials for use in oil field operations are recorded at the lower of cost and net realizable value. Under the full cost method inventory is transferred to oil and gas properties when used in exploration, drilling and development operations in oilfields.

Inventories of crude oil are recorded at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, which have been incurred in

bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Oil and gas properties

The Company follows the full cost method of accounting for its costs of acquisition, exploration and development of oil and gas properties.

Under full cost accounting rules, the net capitalized costs of evaluated oil and gas properties shall not exceed an amount equal to the present value of future net cash flows from estimated production of proved oil and gas reserves, based on current economic and operating conditions, including the use of oil and gas prices as of the end of each quarter.

Given the volatility of oil and gas prices, it is reasonably possible that the estimate of discounted future net cash flows from proved oil and gas reserves could change. If oil and gas prices decline, even if only for a short period of time, it is possible that impairments of oil and gas properties could occur. In addition, it is reasonably possible that impairments could occur if costs are incurred in excess of any increases in the cost ceiling, revisions to proved oil and gas reserves occur, or if properties are sold for proceeds less than the discounted present value of the related proved oil and gas reserves.

All geological and geophysical studies, with respect to the ADE Block have been capitalized as part of the oil and gas properties.

The Company's oil and gas properties primarily include the value of the license and other capitalized costs under this method of accounting.

Costs of acquiring unproved leases shall be evaluated for impairment until such time as the leases are proved or abandoned. In addition, if the sums of expected undiscounted cash flows are less than net book value, unamortized costs at the field level will be reduced to a fair value.

Depreciation, depletion and amortization of producing properties is computed using the unit-of-production method based on estimated proved recoverable reserves.

Other fixed assets

Other fixed assets are valued at the historical cost adjusted for impairment loss less accumulated depreciation. Historical cost includes all direct costs associated with the acquisition of the fixed assets.

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Depreciation of other fixed assets is calculated using the straight line method based upon the following estimated useful lives:

Constructions	7-10 years
Machinery and equipment	6-10 years
Vehicles	3-5 years
Office equipment	3-5 years
Other	2-7 years

Maintenance and repairs is charged to expenses as incurred. Renewals and betterments are capitalized.

Other fixed assets of the Company are evaluated for impairment. If the sums of expected undiscounted cash flows are less than net book value, unamortized costs of other fixed assets will be reduced to a fair value.

Intangible assets

Intangible assets include accounting and other software. Amortization of intangible assets is calculated using straight line method upon estimated useful life ranging from 3 to 4 years.

Restricted cash

Restricted cash includes funds deposited in a Kazakhstan bank and is restricted to meet possible environmental obligations according to the regulations of the Republic of Kazakhstan. The fair value of these funds approximates their carrying amounts as amount and conditions of deposited funds governed by the Government of the Republic of Kazakhstan (see Note 14).

Comparative figures

The presentation of certain amounts for previous year has been reclassified to conform to the presentation adopted for the current year.

Recent accounting pronouncements

In June 2004, the FASB issued an exposure draft of a proposed statement, "Fair Value Measurements" to provide guidance on how to measure the fair value of financial and non-financial assets and liabilities when required by other authoritative accounting pronouncements. The proposed statement attempts to address concerns about the ability to develop reliable estimates of fair value and inconsistencies in fair value guidance provided by current US GAAP, by creating a framework that clarifies the fair value objective and its application in GAAP. In addition, the proposal expands disclosures required about the use of fair value to re-measure assets and liabilities. The standard would be effective for financial statements issued for fiscal years beginning after June 15, 2005. The Company is reviewing The Exposure Draft to determine the potential impact, if any, on its Consolidated Financial Statements.

In November 2004, the EITF ratified Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations." The EITF reached a consensus that classification of a disposed of or held-for-sale component as a discontinued operation is only appropriate if the ongoing entity (i)

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expects to have no continuing "direct" cash flows, and (ii) does not retain or expect to retain an interest, contract or other arrangement sufficient to enable it to exert significant influence over the disposed component's operating and financial policies after the disposal transaction. Application of this consensus did not have a material impact on the Company's Consolidated Financial Statements.

In December 2004, the FASB issued Statement 153, "Exchanges of Non-monetary Assets", an amendment of APB Opinion 29, "Accounting for Non-monetary Transactions." This amendment eliminates the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under Statement 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. This statement is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005 and will not impact the Company's financial position or results of operations, and cash flows.

In December 2004, the FASB issued a revision of SFAS No. 123 "Share-Based Payment" (No. 123R). The statement establishes standards for the accounting for transactions in which an entity exchanges its equity investments for goods and services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The statement does not change the accounting guidance for share-based payments with parties other than employees. The statement requires a public entity to measure the cost of employee service received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exception). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). A public entity will initially measure the cost of employee services received in exchange for an award of a liability

instrument based on its current fair value; the fair value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation over that period. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of these instruments. The Company will be required to comply with this pronouncement for periods beginning after December 15, 2005.

3. ACQUISITION

On June 7, 2003, BMB acquired a 70% equity interest in Emir Oil for \$1,300,000. On May 24, 2004, the Company agreed to purchase the remaining 30% interest of its minority interest partner in Emir Oil in exchange for 3,500,000 shares of restricted Company common stock. On August 6, 2004, the Company issued the 3,500,000 shares to its minority partner in Emir Oil (see Note 16). The aggregate purchase price was determined to be \$19,075,000 using a price of the Company's common shares on OTCBB on August 6, 2004 of \$5.45 per share. The entire purchase price has been allocated to oil and gas properties in the accompanying Consolidated Balance Sheet.

The results of Emir's operations have been included in the Consolidated Financial Statements since June 7, 2003. Emir had no operations prior to its acquisition by BMB. Emir holds an oil and gas contract for the ADE Block. Based on its ownership of Emir Oil, the Company is required to fund the exploration and development efforts of Emir Oil (see Note 19).

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4. REVENUES

Revenues represent sales of oil and gas during the test of exploration wells within the domestic market of the Republic of Kazakhstan. Price for oil and gas in a domestic market of the Republic of Kazakhstan is substantially lower than world market prices.

5. INCOME TAXES

The income tax charge in the income statement comprised:

<TABLE>

<CAPTION>

	2005
<S>	<C>
Current tax expense	\$ -
Deferred tax expense	343

	\$ 343
	=====

Relationship between tax expenses and accounting loss for the years ended March 31 are explained as follows:

<CAPTION>

	2005	2004
<S>	<C>	<C>
Loss before income taxes and minority interest		\$ (3,124,015)
	-----	\$ (531,798)
Expected tax provision	(504,227)	(129,027)
Add tax effect of:		
Permanent differences	495,397	(70,973)
Change in valuation allowance	9,173	200,000
	-----	-----
	\$ 343	\$ -
	=====	=====

Deferred taxes reflect the estimated tax effect of temporary differences between assets and liabilities for financial reporting purposes and those measured by tax laws and regulations. The components of deferred tax assets and deferred tax liabilities are as follows:

<CAPTION>

	2005	2004
<S>	<C>	<C>

Deferred tax assets		
Loss carryforward	\$ 209,173	\$ 200,000
	-----	-----
Deferred tax liabilities:		
Unrealised interest income	343	-
Valuation allowance	(209,173)	(200,000)
	-----	-----
Net deferred tax liability	\$ 343	\$ -
	=====	=====

</TABLE>

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6. CASH AND CASH EQUIVALENTS

As of March 31 cash and cash equivalents included:

<TABLE>

<CAPTION>

	2005
<S>	<C>
Cash at bank, US Dollars	\$ 9,982,103
Cash at bank, foreign currency	7,529

	\$ 9,989,632
	=====

As of March 31, 2005 the Company pledged cash in amount of \$15,567 to collateralize payment to oil drilling and service company for drilling services.

7. MARKETABLE SECURITIES

Marketable securities as of March 31 were as follows:

<CAPTION>

	2005
<S>	<C>
Bonds	\$ 418,952
Shares	369,969

	\$ 788,921
	=====

As of March 31, 2005 the Company pledged all marketable securities to collateralize payment to oil drilling and service company for drilling services.

8. INVENTORIES

Inventories as of March 31 were as follows:

<CAPTION>

	2005
<S>	<C>
Construction material	\$ 3,103,555
Purchased semi products	59,706
Crude oil produced	7,735
Other	56,415

	\$ 3,227,411
	=====

</TABLE>

F-13

9. PREPAID EXPENSES, NET

Prepaid expenses as of March 31 were as follows:

<TABLE>

<CAPTION>

2005

<S>	<C>	
Advances for material	\$ 2,301,074	
VAT recoverable	1,217,751	
Advances for services	589,944	
Other	192,573	
Reserves against uncollectible advances and prepayments		(129,051)

	\$ 4,172,291	
	=====	

10. DUE TO ASTANA FUND

In 2004 the Government of the Republic of Kazakhstan imposed a liability in the amount of \$250,000 to make cash contributions to the Astana Fund. The Astana Fund is a government fund used by the Government of the Republic of Kazakhstan to accumulate cash for construction and development of Astana, Kazakhstan, the new capital of the Republic of Kazakhstan.

11. OIL AND GAS PROPERTIES, NET

Oil and gas properties as of March 31 were as follows:

<CAPTION>

	2005	
<S>	<C>	
Subsoil use right	\$ 20,788,119	
Cost of drilling wells	9,334,021	
Professional services received in exploration and development activities		4,798,314
Material and fuel used in exploration and development activities		2,891,765
Infrastructure development costs	1,231,391	
Geological and geophysical	653,571	
Other capitalized costs	3,334,630	
Accumulated depreciation, depletion and amortization		(67,452)

	\$ 42,964,359	
	=====	

</TABLE>

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12. OTHER FIXED ASSETS, NET

<TABLE>

<CAPTION>

	Constructions and equipment	Machinery	Vehicles	Office	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cost						
at April 1, 2004	\$ 62,583	\$ 114,650	\$ 46,450	\$ 33,286	\$ 7,442	\$ 264,411
Additions	23,622	119,550	266,757	95,697	31,074	536,700
Disposals	-	-	-	(95)	(95)	
at March 31, 2005	86,205	234,200	313,207	128,983	38,421	801,016
Accumulated depreciation						
at April 1, 2004	-	1,261	2,289	1,039	169	4,758
Charge for the period	10,789	17,025	56,577	22,795	5,708	112,894
Disposals	-	-	-	(95)	(95)	
at March 31, 2005	10,789	18,286	58,866	23,834	5,782	117,557
Net book value at March						
31, 2004	62,583	113,389	44,161	32,247	7,273	259,653
Net book value at March						
31, 2005	\$ 75,416	\$ 215,914	\$ 254,341	\$ 105,149	\$ 32,639	\$ 683,459

</TABLE>

In accordance with FAS No. 19, Financial Accounting and Reporting by Oil

and Gas Producing Companies, depreciation related to support equipment and facilities used in exploration and development activities in amount of \$ 49,764 was capitalized to oil and gas properties.

13. INTANGIBLE ASSETS, NET

	2005
Cost	
Beginning balance	\$ 5,411
Additions	12,345
Ending balance	----- 17,756
Accumulated depreciation	
Beginning balance	-
Amortization for the period	3,321
Ending balance	----- 3,321
Net book value	----- \$ 14,435 =====

14. LONG TERM LIABILITIES

a) Due to reservoir consultants

The amount of \$222,000 due to reservoir consultants represents a part of \$700,000 contract with PGS Reservoir Consultants payable during 2006. The Company paid to PGS Reservoir Consultants \$200,000 during 2004 and will pay \$278,000 in 2005.

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b) Liquidation fund

Under the laws of the Republic of Kazakhstan, the Company is obligated to set aside funds for required environmental remediation. As of March 31, 2005 the Company contributed \$60,973 to the Liquidation Fund.

15. MINORITY INTEREST

Minority interest represents interest of 30% shareholder of Emir Oil. On May 24, 2004, the Company agreed to purchase the remaining 30% interest of its minority interest partner in Emir Oil in exchange for 3,500,000 shares of restricted Company common stock. On August 6, 2004, the Company issued the 3,500,000 shares to its minority partner in Emir Oil (see Notes 3 and 16).

<TABLE>

<CAPTION>

	2005	
<S>	<C>	
Beginning balance	\$ 82,134	
Share of minority for net loss	-	
Share capital portion of minority	-	
Recovery of minority interest after purchase of remaining interest	(82,134)	
Ending balance	----- \$ - =====	

16. SHARE AND ADDITIONAL PAID IN CAPITALS

Common and preferred stock as of March 31 are as following:

<CAPTION>

	2005	2004
<S>	<C>	<C>
Preferred stock, \$0.001 par value		

Authorised	20,000,000	20,000,000
Issued and outstanding	-	-
Common stock, \$0.001 par value		
Authorised	100,000,000	100,000,000
Issued and outstanding	30,513,761	20,429,421

</TABLE>

Reverse merger

During the year ended March 31, 2004, the Company completed a reverse merger with BMB Holding, Inc. Additionally the Company:

- a) Completed a private placement for the total amount of \$11,113,562. b) Converted a \$2,000,000 debt to the shareholders of BMB Holding, Inc. into equity. c) Issued 200,000 shares of stock upon exercise of stock option worth \$200,000. d) Completed a 10 for 1 reverse stock split.

Acquisition

On May 24, 2004, the Company agreed to purchase the remaining 30% interest of its minority interest partner in Emir Oil in exchange for 3,500,000 shares of restricted Company common stock. On August 6, 2004, the Company issued the 3,500,000 shares to its minority partner in Emir Oil (see Note 3). The aggregate purchase price was determined to be \$19,075,000 using a

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price of the Company's common shares on OTCBB on August 6, 2004 of \$5.45 per share. The entire purchase price has been allocated to oil and gas properties in the accompanying Consolidated Balance Sheet.

Private placements

On July 2, 2004, the Company sold an aggregate of 4,584,340 common shares of the Company at \$4.00 per share in a private placement offering. The Company received \$17,311,906 net of the agent fees and out of pocket expenses.

On March 9, 2005, the Company sold an aggregate of 2,000,000 common shares of the Company at \$5.00 per share in a private placement offering. The Company received \$9,968,254 net of the agent fees and out of pocket expenses.

On March 31, 2005, the Company issued for subscription an aggregate of 1,101,000 common shares of the Company at \$5.00 per share in a private placement offering.

Common stocks sold at private placements as of March 31 are as following:

<TABLE>

<CAPTION>

	Number of shares sold	Share price	Gross amount raised	Net amount received
<S>	<C>	<C>	<C>	<C>
2004				
First private placement	4,830,494	\$ 2.15-\$ 2.50	\$ 11,113,562	\$ 9,935,874
	-----		-----	
	4,830,494		11,113,562	9,935,874
2005				
Second private placement	4,584,340	\$ 4.00	18,337,360	17,311,906
Third private placement (first closing)	2,000,000	\$ 5.00	10,000,000	9,968,254
Third private placement (second closing)	1,101,000	\$ 5.00	-	-
	-----		-----	
	7,685,340		28,337,360	27,280,160
	-----		-----	
	12,515,834		\$ 39,450,922	\$ 37,216,034
	=====		=====	=====

</TABLE>

The offerings were made only to accredited investors in the United States under Regulation D and pursuant to Regulation S to non U.S. Persons.

Share-Based Compensation

On November 19, 2003, the Company granted options to the placement agent for services rendered in connection with a private placement of the Company's common stock in November 2003. The first option granted the placement agent the right to purchase up to 200,000 common shares of the Company at an exercise price of \$1.00 per share. The placement agent exercised this option and purchased 200,000 shares for \$200,000 on December 15, 2003. The second option grants the placement agent the right to purchase up to 142,857 common shares of the Company at an exercise price of \$3.50 per share. This option expires on November 26, 2008.

In December 2003, the Company granted warrants to a placement agent in connection with funds raised on the Company's behalf. These warrants grant the placement agent the right to purchase up to 275,050 shares of the Company's common stock at an exercise price of \$2.15 and 208,000 shares of the Company's common stock at an exercise price of \$2.50 per share. The warrants expire at the end of June 2005.

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On July 2004, the Company granted warrants to a placement agent in connection with funds raised on the Company's behalf. These warrants grant the placement agents the right to purchase up to 458,434 shares of the Company's common stock at an exercise price of \$4.00 per share. The warrants expire at the first quarter of 2006 calendar year.

During the year ended March 31, 2005 the Board of Directors (the "Board") of the Company approved an incentive stock option plan (the "plan") under which directors, officers and key personnel may be granted options to purchase common shares of the Company. The Company has reserved 5,000,000 common shares for issuance upon the exercise of options granted under the terms of the plan. The Board determines the exercise price of each option, provided that no option shall be granted with an exercise price at a discount to market. The vesting periods established under the plan and the term of the options are set by the Board. During the third quarter of the year ended March 31, 2005 the Company granted stock options to its corporate secretary for the past services rendered. These options grant the employee the right to purchase up to 60,000 shares of the Company's common stock at an exercise price of \$4.00 per share. The options expire in five years from the date of grant. Granted options vest immediately. Compensation expense for options granted to a corporate secretary is determined based on their fair values at the time of grant, the cost of which in the amount of \$81,000 is recognized in the Consolidated Statement of Income and Consolidated Balance Sheet.

Stock options and warrants outstanding and exercisable as of March 31 are:

<TABLE>

<CAPTION>

	Number of shares	Weighted Average Exercise price
	<C>	<C>
As of March 31, 2003	-	\$ -
granted	825,907	2.19
exercised	(200,000)	1.00
As of March 31, 2004	625,907	2.57
granted	518,434	4.00
As of March 31, 2005	1,144,341	\$ 3.22

Stock options and warrants as of March 31, 2005 are:

<CAPTION>

Options and Warrants outstanding				Options and Warrants exercisable	
Range of exercise price	Options and Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Options and Warrants	Weighted Average Exercise Price
\$ 2.15 - \$ 4.00	1,144,341	\$ 3.22	2.20	1,144,341	\$ 3.22

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The estimated fair value of the stock options and warrants issued were determined using Black-Scholes option pricing model with the following assumptions:

	2005	2004	
Risk-free interest rate	3.20%	2.00%	
Expected option life	1 year	3 years	
Expected volatility in the price of the Company's common shares	76%	246%	
Expected dividends	0%	0%	
Weighted average fair value of options and warrants granted during the year	\$ 2.22	\$ 3.81	

17. EARNINGS PER SHARE (BASIC AND DILUTED)

The calculation of the basic and diluted earnings per share is based on the following data:

	2005	2004
Numerator		
Net loss for basic and diluted loss per share	3,124,358	613,782
Denominator		
Weighted average number of common shares for the purposes of basic and diluted earnings per share	26,948,437	7,398,240
Loss per share (basic and diluted)	\$ 0.116	\$ 0.083

The effect of the stock warrants and stock options is anti-dilutive.

18. RELATED PARTY TRANSACTIONS

	2005	2004
Accounts payable	\$ 503,045	\$ 103,231
Prepaid expenses	150,841	-
Services rendered	610,336	2,724,433
Operating lease of land, premises and warehouses	218,428	12,817
Loans received and repaid	-	2,500,000
Guarantees received	600,000	-

On September 15, 2003 BMB Holding, Inc. obtained a short-term financing for covering expenses related to the reverse merger and private placement from one of its shareholders, Caspian Services Group, Ltd. The loan in the amount of \$500,000 was for a term of six months with the annual interest rate of 16.5%. This loan was repaid in full on November 26, 2003 from the proceeds of the private placement.

On May 25, 2004 the Company received a letter of guarantee for drilling of exploratory wells from KazMorGeofizika CJSC. The letter of guarantee in the amount of \$1,000,000 for the period of drilling works was issued to the supplier of drilling works and closed on February 15, 2005. On

February 15, 2005 the Company received a letter of guarantee in the amount of \$600,000 from KazMorGeofizika CJSC for drilling of another exploratory well.

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19. COMMITMENTS AND CONTINGENCIES

Historical investments by the Government of the Republic of Kazakhstan

The Government of the Republic of Kazakhstan made historical investments in the ADE Block in total amount of \$ 5,994,200. When the Company applies for and is granted commercial production rights for the ADE Block, the Company will be required to begin repaying these historical investments to the Government of the Republic of Kazakhstan. The terms of repayment will be negotiated at the time the Company applies for commercial production rights.

Capital Commitments

Under the terms of its exploration contract, Emir Oil is required to spend a total of \$32 million in exploration and development activities on the ADE Block. To retain its rights under the contract, the Company must spend a minimum of \$9.3 million in 2005, \$6 million in 2006 and \$4.5 million in 2007. The failure to make these minimum capital expenditures could result in the loss of the contract.

Operating Environment

The Company's principal business unit, Emir Oil, operates within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to rapid changes and the Company's assets and operations could be at risk in the event of negative changes in the political and business environment.

Government taxes and legislation in the Republic of Kazakhstan

The local and national tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretation and enforcement. Non-compliance with Kazakhstan laws and regulations can lead to imposition of penalties and interest.

Environmental matters

The Company believes it is currently in compliance with all existing Kazakhstan environmental laws and regulations. However, Kazakhstan environmental laws and regulations may change in the future.

Pension and retirement plans

Employees of the Company receive pension benefits in accordance with the laws and regulations of the respective countries. As of March 31, 2005 and 2004 the Company was not liable for any supplementary pensions, post-retirement, health care, insurance benefits or retirement indemnities to its current or former employees.

Other matters

In December 2003, a lawsuit was filed in Florida naming the Company as one of the defendants. The claim of breach of contract, unjust enrichment, breach of fiduciary duty, conversion and violation of a Florida trade secret statute in connection with a business plan for the development Aksaz, Dolinnoe and Emir oil and gas fields owned by Emir Oil. The plaintiffs seek unspecified compensatory and exemplary damages.

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In April 2005, Sokol Holdings, Inc., filed a complaint in United States District Court, Southern District of New York alleging that the Company wrongfully induced Mr. Tolmakov, Director of Emir Oil, to breach a contract under which Mr. Tolmakov had agreed to sell to Sokol 70% of his 90% interest in Emir Oil LLP. Sokol Holdings, Inc. seeks damages in an unspecified amount exceeding \$75,000 to be determined at trial, punitive

damages, specific performance in the form of an order compelling BMB to relinquish its interest in Emir and the underlying interest in the ADE fields to Sokol Holdings, Inc. and such other relief as the court finds just and reasonable.

The Company is confident that the matters shall be resolved in the Company's favor. The Company has retained legal counsels to protect its interests. In the opinion of the Company's management and legal counsels, the resolution of those lawsuits will not have a material adverse effect on Company's financial condition, results of operations or cash flows.

20. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to fluctuations in commodity prices, foreign currency exchange rates, credit risk and country risk. The Company recognizes these risks and manages operations in a manner such that exposure to these risks minimized to the extent practical.

As of March 31, 2005 marketable securities of \$788,921 are held in short term repurchase agreements for securities issued by Kazakhstan banks and Kazakhstan financial institutions. As of March 31, 2005 cash and cash equivalents include deposits in Kazakhstan banks in the amount \$9,090,276. As of March 31, 2005 the Company made advance payments to Kazakhstan companies and budget in the amount \$4,301,342. As of March 31, 2005 trade accounts receivable of \$132,400 are with the Kazakhstan oil processing plant. Restricted cash reflected in the long-term assets consists of \$60,973 deposited in a Kazakhstan bank and restricted to meet possible environmental obligations according to the regulations of Kazakhstan. Furthermore, the primary asset of the Company is Emir Oil; an entity formed under the laws of the Republic Kazakhstan.

21. SUBSEQUENT EVENTS

On March 31, 2005, the Company issued for subscription an aggregate of 1,101,000 common shares of the Company at \$5.00 per share in a private placement offering. Pursuant to the offering closing on April 12, 2005 the Company raised total proceeds of \$5,505,000 (see Note 16).

On April 12, 2005, the Company granted warrants to placement agents in connection with funds raised on the Company's behalf. These warrants grant the placement agents the right to purchase up to 110,100 shares of the Company's common stock at an exercise price of \$5.00 per share. The warrants expire on April 11, 2006.

In May and June 2005 a party exercised stock warrants for 275,050 shares at the exercise price of \$2.15 and stock warrants for 109,030 shares at the exercise price of \$2.50.

On May 27, 2005 the Company made a cash contribution of \$250,000 to Astana Fund as a part of the social program of investing activity of the Company (see Note 10).

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BMB MUNAI, INC
(A Development Stage Entity)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005

22. SUPPLEMENTARY FINANCIAL INFORMATION ON OIL AND NATURAL GAS EXPLORATION DEVELOPMENT AND PRODUCTION ACTIVITIES (unaudited)

This footnote provides unaudited information required by SFAS No. 69, "Disclosures about Oil and Natural Gas Producing Activities." The Company's oil and natural gas properties are located in the Republic of Kazakhstan, which constitutes one cost center.

Capitalized Costs - Capitalized costs and accumulated depletion, depreciation and amortization relating to our oil and natural gas

producing activities, all of which are conducted in the Republic of Kazakhstan, are summarized below:

<TABLE>
<CAPTION>

	For the year ended March 31, 2005	For the period from inception (May 6, 2003) to March 31, 2004
<S>	<C>	<C>
Developed oil and natural gas properties	\$ 43,031,811	\$ 6,495,186
Unevaluated oil and natural gas properties	-	-
Accumulated depletion, depreciation and amortization	(67,452)	-
Net capitalized cost	\$ 42,964,359	\$ 6,495,186

Costs Incurred - Costs incurred in oil and natural gas property acquisition, exploration and development activities are summarized below:

<CAPTION>

	For the year ended March 31, 2005	For the period from inception (May 6, 2003) to March 31, 2004
<S>	<C>	<C>
Acquisition costs:		
Unproved properties	\$ -	\$ -
Proved properties	20,788,119	1,713,119
Exploration costs	3,373,092	2,659,872
Development costs	18,870,600	2,122,195
Subtotal	43,031,811	6,495,186
Asset retirement costs	-	-
Total costs incurred	\$ 43,031,811	\$ 6,495,186

Results of Operations - Results of operations for the Company's oil and natural gas producing activities are summarized below:

<CAPTION>

	For the year ended March 31, 2005	For the period from inception (May 6, 2003) to March 31, 2004
<S>	<C>	<C>
Oil and natural gas revenues	\$ 973,646	\$ -
Operating expenses:		
Oil and natural gas operating expenses and ad valorem taxes	197,697	-
Production taxes	-	-
Accretion expense	-	-
Depletion expense	67,452	-
Results of operations from oil and gas producing activities	\$ 708,497	\$ -

</TABLE>

Reserves - Proved reserves are estimated quantities of oil and natural gas, which geological and engineering data demonstrate with reasonable certainty to be, recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserves that can reasonably be expected to be recovered through existing wells with existing equipment and operating methods. Proved oil and natural gas reserve quantities and the related discounted future net cash flows before income taxes (see Standardized Measure) for the periods presented are based on estimates prepared by Chapman Petroleum Engineering Ltd., independent petroleum engineers. Such estimates have been prepared in accordance with guidelines established by the SEC.

The Company's net ownership in estimated quantities of proved oil and natural gas reserves, and changes in net proved reserves, all of which are located in the Republic of Kazakhstan, are summarized below:

<TABLE>
<CAPTION>

	Natural Gas (Mcf)	
	For the year ended March 31, 2005	For the period from inception (May 6, 2003) to March 31, 2004 (1)
Proved developed and undeveloped reserves		
Beginning of the year	-	-
Revisions of previous estimates	-	-
Purchase of oil and gas properties	-	-
Extensions and discoveries	41,734,000	-
Sales of natural gas properties	-	-
Production	-	-
End of year	41,734,000	-
Proved developed reserves at year end	15,917,000	-

</TABLE>

(1) The Company acquired the ADE Block during the period from inception through March 31, 2004. During that period, however, the Company had insufficient geological and engineering data to demonstrate proved reserves with reasonable certainty during that period.

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<TABLE>
<CAPTION>

	Oil, Condensate and Natural Gas Liquids (MBbls)	
	For the year ended March 31, 2005	For the period from inception (May 6, 2003) to March 31, 2004 (1)
Proved developed and undeveloped reserves		
Beginning of the year	-	-
Revisions of previous estimates	-	-
Purchase of oil and gas properties	-	-
Extensions and discoveries	34,026,302	-
Sales of natural gas properties	-	-
Production	68,755	-
End of year	33,957,547	-
Proved developed reserves at year end	13,614,000	-

</TABLE>

(1) The Company acquired the ADE Block during the period from inception through March 31, 2004. During that period, however, the Company had insufficient geological and engineering data to demonstrate proved reserves with reasonable certainty during that period.

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Standardized Measure - The Standardized Measure of Discounted Future Net Cash Flows relating to the Company's ownership interests in proved oil and natural gas reserves for the period from inception (May 6, 2003) through March 31, 2004 and for the fiscal year ended March 31, 2005 are shown below:

<TABLE>
<CAPTION>

<S>	For the Period from	
	For the Year Ended March 31, 2005	Inception (May 6, 2003) to March 31, 2004
	<C>	<C>
Future cash inflows	\$ 726,849,000	\$ -
Future oil and natural gas operating expenses	238,912,000	-
Future development costs	41,050,000	-
Future income tax expense	281,326,000	-
Future net cash flows	165,561,000	-
10% discount factor	50,476,000	-
Standardized measure of discounted future net cash flows	\$ 115,085,000	\$ -

</TABLE>

Our standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves were prepared in accordance with the provisions of SFAS 69. Future cash inflows are computed by applying year end prices of oil and natural gas to year end quantities of proved oil and natural gas reserves. Future oil and natural gas production and development costs are computed by estimating the expenditures to be incurred in producing and developing the proved oil and natural gas reserves at year end, based on year end costs and assuming continuation of existing economic condition.

Future income tax expenses are calculated by applying appropriate year end tax rates to future pre-tax net cash flows relating to proved oil and natural gas reserves, less the tax basis of properties involved. Future income tax expenses give effect to permanent differences, tax credits and

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loss carryforwards relating to the proved oil and natural gas reserves. Future net cash flows are discounted at a rate of 10% annually to derive the standardized measure of discounted future net cash flows. The Standardized Measure of Discounted Future Net Cash Flows is not intended to represent the replacement cost or fair market value of the Company's oil and natural gas properties.

Changes in Standardized Measure - Changes in Standardized Measure of Discounted Future Net Cash Flows relating to proved oil and gas reserves are summarized below:

<TABLE>
<CAPTION>

<S>	For the Period from	
	For the Year Ended March 31, 2005	Inception (May 6, 2003) to March 31, 2004
	<C>	<C>
Changes due to current year operations:		
Sales of oil and natural gas, net of oil and natural gas operating expenses	-	-
Sales of oil and natural gas properties	-	-
Purchase of oil and gas properties	-	-
Extensions and discoveries	\$ 487,937,000	-
Changes due to revisions of standardized variables	-	-
Prices and operating expenses	-	-
Revisions to previous quantity estimates	-	-
Estimated future development costs	41,050,000	-
Income taxes	281,326,000	-
Accretion of discount	50,476,000	-
Production rates (timing) and other	-	-
Net Change	115,085,000	-
Beginning of year	-	-

End of year

\$ 115,085,000

\$ -

</TABLE>

Sales of oil and natural gas, net of oil and natural gas operating expenses are based on historical pre-tax results. Sales of oil and natural gas properties, extensions and discoveries, purchases of minerals in place and the changes due to revisions in standardized variables are reported on a pre-tax discounted basis, while the accretion of discount is presented on an after tax basis.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Listed below are our subsidiaries, our percentage ownership in each subsidiary and the total number of active subsidiaries directly or indirectly owned by each subsidiary as of March 31, 2005.

	% Ownership	U.S.	Non-U.S.
Emir Oil, LLP, Kazakhstan	100%	--	--

EXHIBIT 23.1

CONSENT OF CHAPMAN PETROLEUM ENGINEERING, LTD
INDEPENDENT PETROLEUM ENGINEERS

We consent to the reference to our firm and to the reference to our
"Reserve and Economic Evaluation Oil and Gas Properties" dated April 1, 2005 in
the Annual Report (Form 10-KSB), of BMB Munai, Inc.

/s/ Charlie Chapman

Chapman Petroleum Engineering, Ltd.
Calgary, Alberta, Canada
July 1, 2005

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Boris Cherdabayev, certify that:

(1) I have reviewed this Annual Report on Form 10-KSB of BMB Munai, Inc. (the "Company");

(2) Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

(3) Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report;

(4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

- (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Company, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Annual Report based on such evaluation; and
- (d) Disclosed in this Annual Report any change in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting; and

(5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons fulfilling the equivalent function):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

Boris Cherdabayev,
Principal Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Anuar Kulmagambetov, certify that:

(1) I have reviewed this Annual Report on Form 10-KSB of BMB Munai, Inc. (the "Company");

(2) Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

(3) Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report;

(4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

- (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Company, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Annual Report based on such evaluation; and
- (d) Disclosed in this Annual Report any change in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting; and

(5) The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons fulfilling the equivalent function):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

Anuar Kulmagambetov,
Principal Financial Officer

CERTIFICATION OF PRINCIPAL
EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of BMB Munai, Inc., on Form 10-KSB for the year ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Boris Cherdabayev, Principal Executive Officer of the Company, certifies, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 13, 2005

/s/ Boris Cherdabayev

Boris Cherdabayev,
Principal Executive Officer

CERTIFICATION OF PRINCIPAL
FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of BMB Munai, Inc., on Form 10-KSB for the period ended March 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Anuar Kulmagambetov, Principal Financial Officer of the Company, certifies, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 13, 2005

/s/ Anuar Kulmagambetov

Anuar Kulmagambetov,
Principal Financial Officer